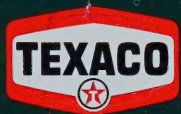


AR25



ANNUAL  
REPORT  
1968

**TEXACO** INC.



Texaco's trademark—the only one that signifies widespread distribution of petroleum products in all 50 states—is painted on a storage tank at the Louisiana Plant.

## Texaco Inc.

135 East 42nd Street, New York, N. Y. 10017

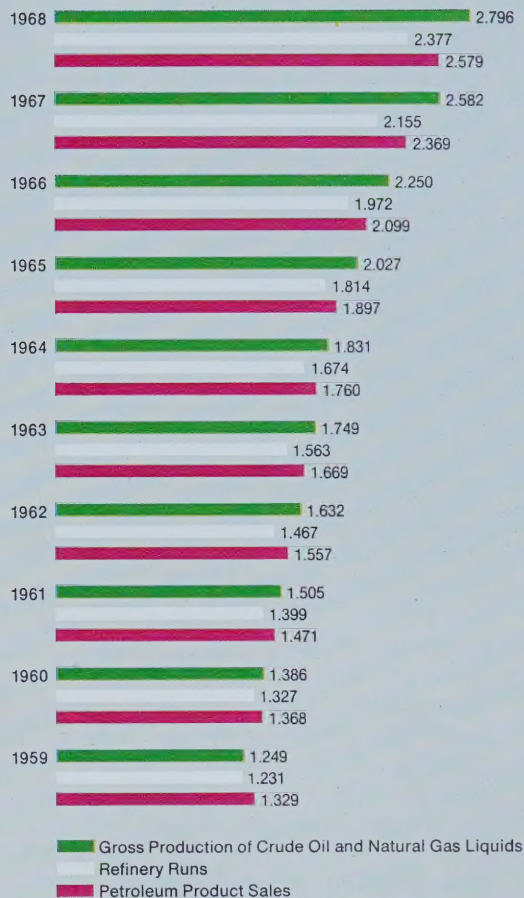
### Directors

|                                  |                                                                                                                                                 |
|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| Arleigh Burke . . . . .          | Admiral, U. S. Navy (Ret.),<br>Chairman of the Center for Strategic<br>and International Studies,<br>Georgetown University, Washington, D.C.    |
| Marion J. Epley, Jr. . . . .     | President of Texaco Inc.,<br>New York, N. Y.                                                                                                    |
| Henry U. Harris . . . . .        | Chairman of the Board and<br>Chief Executive Officer of the<br>stock brokerage firm of<br>Harris, Upham & Co., Incorporated,<br>New York, N. Y. |
| Gilbert W. Humphrey . . . . .    | Chairman of the Board of<br>The Hanna Mining Company,<br>Cleveland, Ohio                                                                        |
| Augustus C. Long . . . . .       | Miami, Fla. (formerly<br>Chairman of the Board and Chief<br>Executive Officer of Texaco Inc.)                                                   |
| Lester J. Norris . . . . .       | Chairman of the Board of the<br>State Bank of St. Charles, Ill.                                                                                 |
| George Parker, Jr. . . . .       | Attorney, San Antonio, Texas                                                                                                                    |
| Ogden Phipps . . . . .           | Chairman of the Board of<br>Bessemer Securities Corporation,<br>New York, N. Y.                                                                 |
| J. Howard Rambin, Jr. . . . .    | Chairman of the Board and<br>Chief Executive Officer of<br>Texaco Inc., New York, N. Y.                                                         |
| Dwight P. Robinson, Jr. . . . .  | Member of Advisory Board,<br>Massachusetts Investors Trust and<br>Massachusetts Investors Growth Stock<br>Fund, Inc., Boston, Mass.             |
| Langbourne M. Williams . . . . . | Chairman of the Executive Committee of<br>Freeport Sulphur Company,<br>New York, N. Y.                                                          |

### Executive Committee

|                      |                         |
|----------------------|-------------------------|
| Arleigh Burke        | Lester J. Norris        |
| Marion J. Epley, Jr. | J. Howard Rambin, Jr.   |
| Henry U. Harris      | Dwight P. Robinson, Jr. |
| Augustus C. Long     | Langbourne M. Williams  |

### Balanced Operations (millions of barrels a day)



### Annual Report for 1968 Texaco's 67th Year

|                                        |       |
|----------------------------------------|-------|
| Highlights,                            | 2     |
| Letter to Stockholders,                | 3     |
| Financial Review,                      | 5     |
| Worldwide Operations,                  | 7     |
| Worldwide Maps,                        | 24-25 |
| Principal Subsidiaries and Affiliates, | 26    |
| Financial Statements,                  | 27    |
| Texaco Products,                       | 33    |
| Officers,                              | 34-35 |
| Ten-Year Summaries,                    | 36    |

*The Annual Meeting of Texaco stockholders will be held in Denver, Colorado, on Tuesday, April 22, 1969. A formal notice of the meeting, together with a proxy statement and proxy form, will be mailed to stockholders under separate cover.*

**Stock Transfer Offices:** Texaco's offices in New York; Continental Illinois National Bank and Trust Company of Chicago  
**Registrars:** The Chase Manhattan Bank, N.A., New York; The First National Bank of Chicago

## Highlights

| Financial                                                                                     | 1968            | 1967            | 1966            |
|-----------------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|
| Gross income . . . . .                                                                        | \$5,803,288,000 | \$5,398,976,000 | \$4,700,150,000 |
| Net income . . . . .                                                                          | \$ 835,530,000  | \$ 754,386,000  | \$ 692,066,000* |
| Average number of shares outstanding . . . . .                                                | 135,820,000     | 135,403,000     | 135,158,000     |
| Per share . . . . .                                                                           | \$6.15          | \$5.57          | \$5.12*         |
| Cash dividends paid . . . . .                                                                 | \$ 394,033,000  | \$ 365,599,000  | \$ 337,550,000  |
| Per share . . . . .                                                                           | \$2.90          | \$2.70          | \$2.50          |
| Stockholders' equity . . . . .                                                                | \$5,418,029,000 | \$4,946,617,000 | \$4,463,593,000 |
| Total assets . . . . .                                                                        | \$8,686,954,000 | \$7,872,104,000 | \$6,977,303,000 |
| Equity in total assets of nonsubsidiary companies and subsidiaries not consolidated . . . . . | 1,022,000,000   | 951,000,000     | 1,007,000,000   |
| Total . . . . .                                                                               | \$9,708,954,000 | \$8,823,104,000 | \$7,984,303,000 |
| Capital and exploratory expenditures . . . . .                                                | \$1,062,846,000 | \$ 891,937,000  | \$ 736,663,000  |
| <b>Operating—including equity in affiliates</b>                                               |                 |                 |                 |
| <i>Barrels a day</i>                                                                          |                 |                 |                 |
| Gross production of crude oil and natural gas liquids:                                        |                 |                 |                 |
| Western Hemisphere . . . . .                                                                  | 1,283,000       | 1,281,000       | 1,178,000       |
| Eastern Hemisphere . . . . .                                                                  | 1,513,000       | 1,301,000       | 1,072,000       |
| Total worldwide . . . . .                                                                     | 2,796,000       | 2,582,000       | 2,250,000       |
| Refinery runs:                                                                                |                 |                 |                 |
| Western Hemisphere . . . . .                                                                  | 1,459,000       | 1,380,000       | 1,325,000       |
| Eastern Hemisphere . . . . .                                                                  | 918,000         | 775,000         | 647,000         |
| Total worldwide . . . . .                                                                     | 2,377,000       | 2,155,000       | 1,972,000       |
| Petroleum product sales:                                                                      |                 |                 |                 |
| Western Hemisphere . . . . .                                                                  | 1,516,000       | 1,391,000       | 1,310,000       |
| Eastern Hemisphere . . . . .                                                                  | 1,063,000       | 978,000         | 789,000         |
| Total worldwide . . . . .                                                                     | 2,579,000       | 2,369,000       | 2,099,000       |
| <i>Thousands of cubic feet a day</i>                                                          |                 |                 |                 |
| Natural gas sales:                                                                            |                 |                 |                 |
| United States . . . . .                                                                       | 3,068,000       | 2,700,000       | 2,412,000       |
| Outside United States . . . . .                                                               | 194,000         | 187,000         | 148,000         |
| Total worldwide . . . . .                                                                     | 3,262,000       | 2,887,000       | 2,560,000       |

\*Excludes a non-recurring profit of \$17,800,000 or \$.13 per share, after applicable income taxes. Including the non-recurring profit, net income for the year 1966 amounted to \$709,866,000 or \$5.25 a share.

## To the Stockholders:

We are pleased to report that Texaco in 1968 again attained new high levels in earnings, dividends, and assets and in the basic operations of oil and gas production, refinery runs, and petroleum product sales.

Consolidated net income totaled \$835,530,000 in 1968, or 10.8% above the 1967 level. These earnings amounted to \$6.15 a share, compared with \$5.57 a share in 1967.

These gratifying results for 1968 resulted from the strong momentum that Texaco has built up from year to year. The basic strength of the Company was enhanced by steady growth and by constant attention to cost control and profit improvement. The Company maintained its excellent balance of producing, manufacturing, and marketing operations. Its sound base in United States operations was reinforced by the further expansion and increased flexibility of its worldwide operations.

A substantial part of Texaco's underlying strength is in its worldwide proved reserves and in its efficiency in exploring for and producing these reserves. The Company in 1968 was most aggressive in building up its production in established areas ranging from Louisiana to Libya to Indonesia, and in exploring for new resources in offshore areas of Texas and California, in Alaska and Canada, in the Upper Amazon Basin of South America, along the coasts of Africa, and in other promising locations.

Growing production is being balanced with growing refining capacity, as major facilities were opened, expanded, or planned in California, Louisiana, and Texas and in Belgium, the Netherlands, Spain, Japan, Korea, and elsewhere. Sales gains through the far-flung network of Texaco retailers and other marketing channels are enabling the Company to operate its facilities, from oil wells and refinery units to pipe lines and tankers, at highly efficient rates.

\* \* \*

The petroleum industry continues to be a strong growth industry. Total demand for petroleum products in the Free World in 1968 increased about 8% over the 1967 level. A rise of 6% is forecast for 1969. Texaco's worldwide sales rose faster last year than the industrywide average. We are confident that the Company's sales gains will continue to exceed the overall growth in petroleum consumption.

United States petroleum demand rose about 6% last year, compared with an average annual increase of 3.7% in the preceding five years. This unusually strong gain was attributable to the continued rapid growth of economic activity



J. Howard Ramin, Jr., Chairman and Chief Executive Officer, reports to Texaco's stockholders at the 1968 Annual Meeting in St. Louis. Seated, left to right, are William J. Clayton, Secretary, and Marion J. Epley, Jr., President.

and of related fuel requirements in the transportation market and other phases of the economy, as well as the exceptionally cold weather during the first quarter of 1968. A further gain of about 3.5% to 4% over last year's high level is anticipated for 1969.

Petroleum demand elsewhere in the Free World increased by approximately 9% in 1968, largely because of the rapid growth in major markets of Western Europe and the phenomenal gain of 15% in Japan. A rise of about 8% is expected for this year in those Free World areas.

Further substantial growth is envisaged for the coming decade. By 1980, petroleum demand in the Free World is projected to increase to more than 58 million barrels a day, up more than 75% from the 1968 level of more than 33 million barrels a day. Over this period, U.S. demand should increase by an average of 3% to 3.5% a year, due in part to continuing population growth and rising living standards. Other markets in the Free World should grow even more rapidly, by an average of 6% to 6.5% a year, because of the growth trend in petroleum's share of the fast-expanding energy demand.

\* \* \*

The magnitude of this projected demand, both at home and abroad, necessitates the maintenance of policies that will permit the petroleum industry to expand vigorously in all aspects of its operations and to perform its required role in the Free World economy. These policies are universal in basic principle and are especially pertinent for the United States, which remains the world's leading petroleum market. Since the future cannot be foretold with certainty, any nation, any industry, or any company must have the flexibility necessary to react properly to changing situations.

Four aspects of national policy have special significance at this time:

1. A proper return on invested capital must be realized. The petroleum industry everywhere is experiencing a cost-price squeeze. Costs of labor, materials, supplies, and construction have been escalating. A growing gap has been developing between, on the one hand, the huge quantity of funds required to finance the necessary investments and, on the other hand, the internally generated funds available for this purpose. Accordingly, the petroleum industry must be able to obtain realistic prices in order to offset increasing costs and generate adequate earnings. Only thus can the industry increase its ability to meet its needs for capital funds from internal and external sources, and thereby to finance the tremendous growth in both oil and gas reserves and facilities that is required to keep pace with the ever-mounting demand.

The competitive system of free enterprise provides its own means for maintaining fair and reasonable prices. Long-term experience has proved this system to be far superior to intervention by governmental agencies.

2. The serious problem of the U.S. balance of payments must be solved. Although there has been a temporary improvement, there is no permanent end yet in sight to this difficulty, which threatens the stability of the dollar in world markets. There is grave danger that in the long run the monetary crisis will be worsened, rather than minimized, by the U.S. Government's imposition of severe restrictions on the movement of private capital out of this country for direct investment abroad. It is the earnings generated and returned to the United States by such direct private investment abroad that have been the most consistently favorable factor in the U.S. balance of payments. Such earnings, in fact, have amounted to some \$17 billion more than the dollars sent abroad for new investments over the past ten years. The petroleum industry alone has accounted for about one-half of this total. It is hoped that early action will be taken to lift the severe restrictions on private direct investment abroad.

A slowing of the inflationary trend in this country would improve the U.S. balance of trade by making American exports more attractive to consumers abroad. To put its financial house in order, the United States must restore realistic policies to governmental budgets and set reasonable priorities for desirable programs.

3. The oil import program must be preserved from chaos and from crippling exceptions. In the interest of national security as determined by the U.S. Government, mandatory quotas are imposed to limit oil imports so as to harmonize the goal of maintaining a vigorous producing industry in the United States with the goal of permitting adequate imports from oil-exporting countries in the Free World. These basic objectives are as sound today as they were when the program was inaugurated almost a decade ago.

No change should be made in the import program that would pierce the established ceiling on permissible imports, that would redistribute import quotas inequitably or arbitrarily, or that would grant special quotas to advance other objectives that are not related to national security. More-

over, Foreign Trade Zones should be used only for their originally intended purpose of promoting American exports, and not for circumventing the import control program.

4. The unremitting trend toward excessive taxation on all levels of government must be reversed. In the United States, the 10% surtax imposed upon individuals and corporations as a temporary measure accounted for an increase in Federal income taxes during 1968. At the same time, state and local tax collections climbed to an all-time high and registered the largest percentage gain since 1956.

The 10% Federal surtax should be allowed to expire as originally planned, with reliance on other methods for curbing inflation and balancing the budget. At the same time, a concerted effort should be made to restrain state and local government expenditures. The overall tax burdens on American industry must be eased as a stimulus to continuing growth of the economy on a sound basis.

Moreover, the maintenance of the mineral depletion provision of the Federal income tax laws is more vital than ever. By providing equitable tax treatment for the production of oil and gas along with other minerals, this provision makes it possible for the petroleum industry to finance the high-cost search for new reserves. Its result is to encourage a level of petroleum exploration and development that assures the American people of a supply of low-cost petroleum energy, and that makes available reserve producing capacity in the interest of national security.

\* \* \*

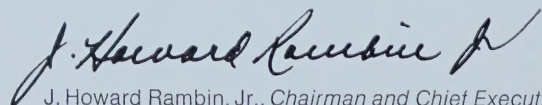
At his own request, Harvey Cash, an Executive Vice President since 1962 and a Director since 1963, retired on December 31, 1968, after more than 35 years of devoted and loyal services to the Company, most recently as coordinator of producing activities in the Eastern Hemisphere.

\* \* \*

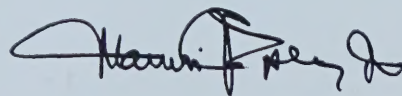
For a more complete summary of Texaco's progress in its 67th year, we refer you to the full text of the report which follows. As you read this Annual Report, we feel certain you will share our conviction that there is no limit to the potential for profitable investment and continued progress in every phase of the petroleum industry. You will observe, also, that we are concentrating our efforts within the business—petroleum—that we know best. We trust you will share our enthusiasm for the prospects, both for 1969 and for the years ahead.

Respectfully submitted,

By order of the Board of Directors,



J. Howard Rambin, Jr., Chairman and Chief Executive Officer



Marion J. Epley, Jr., President

March 12, 1969



## Financial Review of 1968

### Earnings and Dividends

Consolidated net income for the year ended December 31, 1968, amounted to \$835,530,000, or 10.8% above the \$754,386,000 earned in 1967. This was the tenth consecutive year in which the Company's earnings have reached a new high. On a per share basis, earnings were \$6.15 in 1968, compared with \$5.57 in the prior year.

Approximately 65% of the 1968 earnings were derived from operations in the United States, 10% in other areas of the Western Hemisphere, and 25% in the Eastern Hemisphere. The Company's strong base in United States operations is reflected in these figures.

Cash dividends paid to stockholders amounted to \$2.90 per share in 1968, compared with \$2.70 in 1967. The year 1968 was the 66th in a row in which dividends have been paid, and the tenth in a row in which dividend payments to stockholders have increased.

### Gross Income

Consolidated gross income again was higher than in any prior year. The 1968 total of \$5,803,288,000 was 7.5% above the previous peak of \$5,398,976,000 in 1967.

Included in gross income for 1968 was \$288,192,000 received as dividends from nonsubsidiary companies owned 50% or less and from subsidiary companies not consolidated. These dividends, which were generated by the Company's integrated worldwide operations, were 23.7% above the \$232,893,000 received in the previous year. Operations outside the United States were the principal source of these dividends.

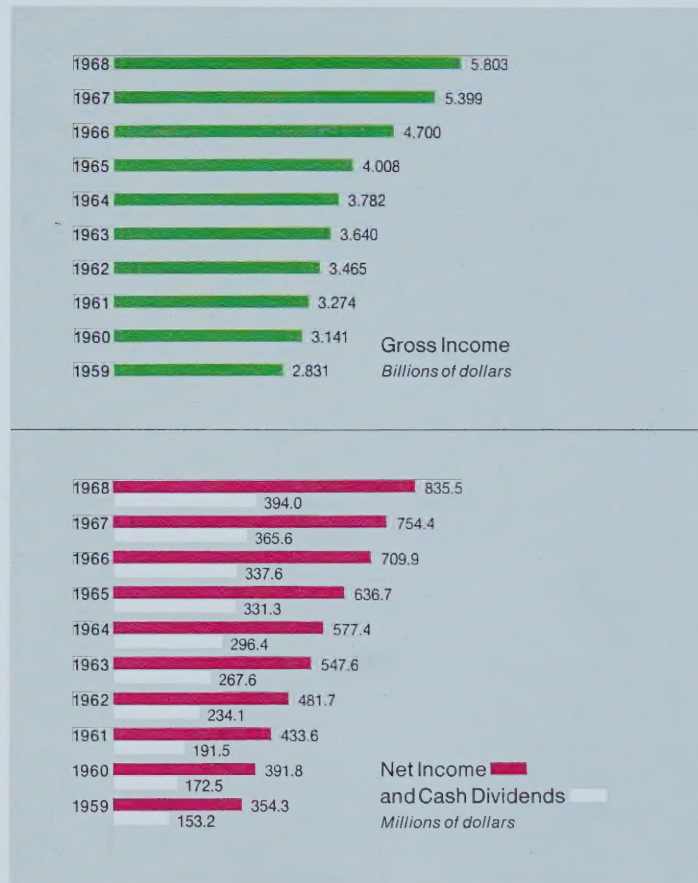
### Costs and Other Deductions

Costs and expenses, including income taxes, amounted to \$4,967,758,000 in 1968, or 7.0% above the 1967 level of \$4,644,590,000.

Texaco's constant and intensive efforts to control expenses in all phases of operations helped to combat the continuing effects of mounting labor costs, rising costs of goods and services, and higher taxes.

### Taxes

Total payments to governments by the Company and its subsidiaries, both in and outside the United States, including taxes collected from consumers, rose 12.4% in 1968 to \$2.0 billion, compared with \$1.8 billion in 1967. These pay-



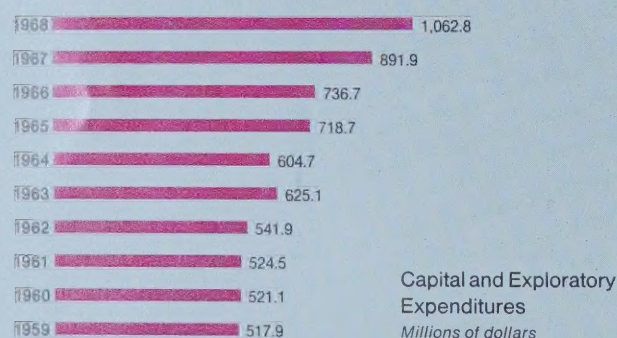
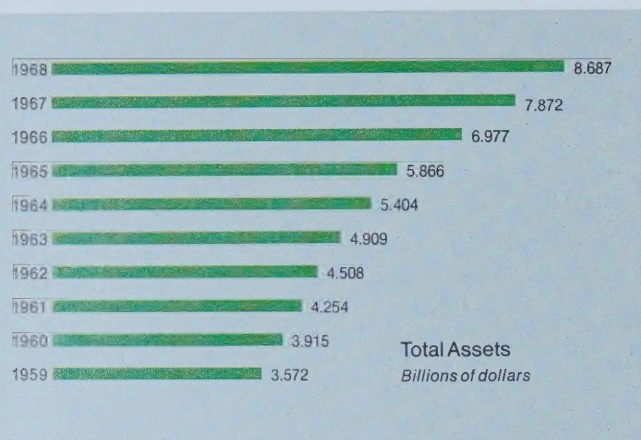
ments amounted to more than five times the total dividends paid to stockholders in 1968.

In addition, payments to governments, both in the U.S. and abroad, by affiliated companies not consolidated were about \$1.4 billion in 1968. Texaco's share of these taxes, based on its equity interest, was about \$567 million.

### Capital and Exploratory Expenditures

Capital and exploratory expenditures by consolidated companies exceeded one billion dollars for the first time. The new peak of \$1,062,846,000 was 19.2% above the previous high of \$891,937,000 reached in 1967.

The Company's principal investments were made to en-



hance its position in those areas that offer opportunity, stability, and a good return. The larger part of these capital and exploratory expenditures was allotted to the United States, while significant sums were also invested in Western Europe and other regions of the Free World.

As in the past, the major portion of the 1968 total outlay was allocated to the search for and the development of new petroleum reserves, in order to maintain the Company's strong position in the basic raw materials of the petroleum industry. This included sizable expenditures in Federal lease sales off the coasts of Texas and California.

In addition, Texaco's equity in capital expenditures by nonsubsidiary companies and subsidiary companies not

consolidated amounted to \$108,303,000 in 1968, compared with \$74,002,000 in 1967.

## Financing

During 1968 the Company, through wholly owned subsidiaries, obtained in Europe approximately \$175,000,000 in long-term financing from banks and other investors.

This financing enabled the Company to carry forward its European investment program notwithstanding the U.S. Government's restrictions on transfers of capital from the United States.

## Working Capital

Working capital, equivalent to the excess of current assets over current liabilities, amounted to \$1,082,976,000 at December 31, 1968, compared with the year-end 1967 figure of \$1,083,365,000.

## Total Assets

At December 31, 1968, total assets of the Company and its consolidated subsidiaries stood at \$8,686,954,000, compared with \$7,872,104,000 at year-end 1967. Approximately 75% of these assets were in the Western Hemisphere and 25% were in the Eastern Hemisphere.

In addition, the Company's equity in total assets of non-subsidiary companies and subsidiaries not consolidated was \$1,022,000,000, bringing the overall total to \$9,708,954,000.

## Capital and Exploratory Expenditures

|                         | 1968           | 1967          |
|-------------------------|----------------|---------------|
| Producing . . . . .     | \$ 683,889,000 | \$464,298,000 |
| Manufacturing . . . . . | 114,692,000    | 203,810,000   |
| Marketing . . . . .     | 104,194,000    | 142,169,000   |
| Marine . . . . .        | 35,186,000     | 19,590,000    |
| Pipe lines . . . . .    | 43,927,000     | 35,982,000    |
| Other . . . . .         | 6,777,000      | 6,310,000     |
| Total . . . . .         | \$ 988,665,000 | \$872,159,000 |

|                                                                                                            |            |            |
|------------------------------------------------------------------------------------------------------------|------------|------------|
| Investments in and advances to nonsubsidiary companies and subsidiary companies not consolidated . . . . . | 74,181,000 | 19,778,000 |
|------------------------------------------------------------------------------------------------------------|------------|------------|

|                 |                 |               |
|-----------------|-----------------|---------------|
| Total . . . . . | \$1,062,846,000 | \$891,937,000 |
|-----------------|-----------------|---------------|



## Worldwide Operations

### Producing

Texaco's worldwide production of crude oil and natural gas liquids, including liftings in Saudi Arabia and Indonesia and equity in other affiliated companies, increased 8.6% in 1968 to an average of 2,796,000 barrels a day, compared with 2,582,000 barrels a day in 1967.

Total sales of natural gas rose more sharply than production of petroleum liquids. Gas sales climbed 13.3% to 3,262,000,000 cubic feet a day.

By obtaining its petroleum production from 14 countries and by expanding its exploratory operations to some 35 countries, the Company continued to achieve four basic objectives: (1) to provide ample crude oil to supply its refineries; (2) both to replace the crude that is produced with new reserves and to discover even more reserves for further growth; (3) to assure the reliability of crude supplies by providing production in geographically and politically diversified areas; (4) to produce and sell natural gas in the most attractive markets.

At the year-end, Texaco's reserves of petroleum liquids stood at all-time highs, both on a worldwide basis and within the United States.

**United States:** Gross production of petroleum liquids in the United States, including equity in affiliates, averaged 854,000 barrels a day, approximately the same as in 1967. The 1967 average had been unusually high because of the sharp increase in United States production during the second half of that year to meet the supply challenge caused by the Middle East crisis.

The largest share of Texaco's drilling activity was concentrated in the United States, where 950 gross wells were completed, compared with 1,078 in 1967. The wells drilled, although fewer, were more expensive on the average, as highly prospective but deeper horizons were explored onshore and as Federal and state leases were developed offshore. An excellent success ratio was attained by the completion of 83.1% of the wells drilled as oil or gas producers. In addition to new drilling, the active use of secondary recovery in existing fields helped to maintain and increase oil production.

Among the 22 states in which Texaco had petroleum production in 1968, Louisiana continued to be the leading source. Additional reserves were discovered and new production was developed in this area in order to supply the ever-growing demand.

In South Louisiana onshore, deep exploratory drilling around major salt dome fields resulted in significant discoveries, notably on the north flanks of the Caillou Island and West Cote Blanche Bay domes and on the southwest flank of the Leeville dome. A large gas discovery was made at Grand Bayou.

Offshore from Louisiana, a major reserve in South Pass Block 54 was confirmed by drilling on a 5,000-acre lease acquired in 1967, and a 21-well platform was erected here in 280 feet of water. A new-type 5-well platform, designed under Texaco patents for use with a submersible drilling barge, was installed in South Marsh Island Block 11 at half the cost of conventional designs.

Offshore from Texas, attractive acreage, totaling nearly 127,000 net acres in 27 tracts, was acquired in the first large

### Worldwide gross production of crude oil and natural gas liquids

(including the Company's liftings in Saudi Arabia and Indonesia and equity in other nonsubsidiary companies)

*Barrels a day*

| <i>Texaco and subsidiaries:</i>         | <i>1968</i> | <i>1967</i> |
|-----------------------------------------|-------------|-------------|
| United States . . . . .                 | 848,000     | 849,000     |
| Venezuela . . . . .                     | 203,000     | 208,000     |
| Iran . . . . .                          | 164,000     | 154,000     |
| Libya . . . . .                         | 122,000     | 64,000      |
| Trinidad . . . . .                      | 104,000     | 101,000     |
| Canada . . . . .                        | 79,000      | 70,000      |
| Germany . . . . .                       | 34,000      | 32,000      |
| Colombia . . . . .                      | 30,000      | 33,000      |
| Australia . . . . .                     | 8,000       | 4,000       |
| Other . . . . .                         | 1,000       | 1,000       |
| Total Texaco and subsidiaries . . . . . | 1,593,000   | 1,516,000   |
| <i>Nonsubsidiary companies:</i>         |             |             |
| Saudi Arabia . . . . .                  | 931,000     | 846,000     |
| Indonesia . . . . .                     | 215,000     | 165,000     |
| Bahrain . . . . .                       | 38,000      | 35,000      |
| Colombia . . . . .                      | 11,000      | 12,000      |
| United States . . . . .                 | 6,000       | 5,000       |
| Venezuela . . . . .                     | 2,000       | 3,000       |
| Total nonsubsidiary companies . . . . . | 1,203,000   | 1,066,000   |
| Total worldwide . . . . .               | 2,796,000   | 2,582,000   |

Texaco's success in exploring for ever-larger reserves of crude oil assures the Company of ample, stable, and flexible supplies of raw materials. The three examples shown here illustrate the wide diversification of these efforts. Wildcat drilling in the Amazon jungles of Ecuador (a) has resulted in the discovery of five oil fields to date. The use of helicopters to carry supplies in Saudi Arabia (b) has assisted Aramco in pushing its exploration deep into the desert wastes. A three-legged base for a drilling platform (c) was towed under the Golden Gate Bridge in San Francisco (top) to Alaska and has been erected in the icy waters of the Cook Inlet (bottom).



a

Federal lease sale held in this area. To evaluate these leases expeditiously, two drilling rigs were put to work on 100% acreage blocks and a third on 50% holdings. One platform will be built to develop a 100% owned discovery and a second is planned for a 50% owned block. It is anticipated that Texaco will develop major reserves in this area.

In onshore Texas, a significant gas discovery was made on the Brookshire salt dome near Houston. Successful gas exploration continued in the Delaware Basin of West Texas. In Reeves County in this area, a Devonian gas discovery extended deep production some 20 miles westward from previous production, and another Devonian gas discovery was made in the Toro field, where gas production had previously come from the even deeper Ellenburger formation. One of the world's deepest dual gas wells was completed to produce from both the Devonian at 17,000 feet and the Ellenburger at 21,000 feet.

Offshore from California, a quarter interest was acquired in nine Federal leases in the Santa Barbara Channel. Substantial reserves were verified by exploratory drilling on one tract along the Rincon Trend.

In Alaska, a specially designed three-legged permanent platform was installed in the Cook Inlet to facilitate the eco-

nomic development of the jointly owned Trading Bay field. By the year-end, four successful wells had been drilled there and were producing a total of some 6,000 barrels a day. On the Arctic Slope in the Far North, geophysical exploration was begun on 231,000 acres currently held there.

Active exploration was conducted in the Powder River-Williston Basin area of Montana, Wyoming, and the Dakotas. Texaco holds 615,000 acres in this area.

Natural gas sales increased in volume by 13.9% to 3.1 billion cubic feet a day and in revenue by 15.8% to \$200,667,000. The growing and profitable use of Texaco gas to feed Texaco refineries raised combined sales and utilization by 14.0% to 3.5 billion cubic feet a day.

The largest increase in gas sales was recorded in South Louisiana, where Texaco continued to be a major supplier to the industrial complexes there. New contracts that were made during 1968 alone will raise intrastate industrial sales by 400 million cubic feet a day by the end of 1970.

Although the rapid growth of Texaco's intrastate sales is expected to continue, the exploration for and development of natural gas in several areas are being retarded by unrealistic price levels fixed by the Federal Power Commission for natural gas sold in interstate commerce. The prices estab-



b



c

lished by the FPC in major producing areas, notably South Louisiana and West Texas, are not attracting the level of capital investment necessary to ensure adequate supplies for the interstate market.

**Other Western Hemisphere:** Gross production elsewhere in the Western Hemisphere, including equity in affiliates, averaged 429,000 barrels a day, compared with 427,000 barrels a day in 1967.

The Upper Amazon Basin of South America, a major new producing province, will be brought into large-scale production for the first time early in 1969, when the Trans-Andean pipe line is completed from the Putumayo area of Southern Colombia to the Pacific port of Tumaco. Initial throughput of 50,000 barrels a day will be supplied from the Orito field, where development drilling and producing facilities have been completed. Two additional discoveries, the Company's fourth and fifth in this area of Colombia, were made at Loro and Churuyaco. Texaco holds a half interest and is the operator in these Upper Amazon Basin areas of Colombia. Pending the completion of the Trans-Andean line, the Company's production from older fields of Colombia in 1968 showed a normal decline, amounting to 8.1%, to 41,000 barrels a day.

In Upper Amazon Basin areas of Ecuador, where Texaco also holds a half interest and is the operator, the Company conducted successful exploratory drilling. The Company's fourth and fifth discoveries in this country east of the Andes were made at Atacapi and Parahuacu. A feasibility survey for a pipe line to the Pacific is near completion.

In Peruvian areas of the Upper Amazon Basin, the Company conducted geophysical surveys, with a view toward accelerating its exploration efforts there. On the basis of extensive geological studies, it applied for and obtained large acreage blocks in Pacific waters off Peru.

Venezuela continued to be the leading source of Texaco's production in the Western Hemisphere outside the United States. The Company's equity production there was down 2.7% to 205,000 barrels a day, because of the normal decline in fully developed properties and because of the unavailability of new lands for exploration. However, two good discoveries were made in Eastern Venezuela. In the Lake Maracaibo area of Western Venezuela, jointly owned facilities were under construction to produce some 5,000 barrels a day of natural gas liquids and to reinject 28 million cubic feet of gas a day for Texaco's account.

Texaco's production in Trinidad rose 3.7% to a new high

of 104,000 barrels a day, primarily as the result of active development drilling, both onshore and offshore, and accelerated gas injection. Seismic studies were stepped up in offshore areas in the search for new reserves.

Canadian production by Texaco companies also reached a new peak, rising 12.4% to 79,000 barrels a day. A number of new pools were discovered in the Zama Lake area of Alberta and were brought into production. A firm position on trend with the Arctic Slope area of Alaska was established by holdings of 206,000 net acres onshore in the Mackenzie Delta and by acquisition of substantial holdings in adjacent offshore areas. In the Arctic island areas, offshore acreage was acquired to complement nearly 1,500,000 acres on the islands, where seismic evaluation was conducted.

Offshore holdings in Eastern Canada, including the Gulf of St. Lawrence and Georges Bank, were increased to 13,000,000 acres. Geophysical exploration is continuing in these virgin areas.

**Eastern Hemisphere:** Texaco's production in the Eastern Hemisphere rose 16.6% to a new peak of 1,513,000 barrels a day, compared with 1,301,000 barrels a day in 1967.

In Saudi Arabia, Texaco's liftings from the 30% owned Arabian American Oil Company rose to a new high of 931,000 barrels a day from the 1967 level of 846,000 barrels a day. Aramco's discovery of two new fields strengthened Saudi Arabia's position as the world's leading country in proved reserves. A third sea island, which can handle the largest tankers now under construction, was installed off Ras Tanura to increase loading capacity still further.

Bahrain's production continued its gradual growth. Texaco's half interest averaged 38,000 barrels a day, compared with 35,000 barrels a day in the previous year.

In Iran, Texaco's production reached a new peak of 164,000 barrels a day, compared with 154,000 barrels a day in 1967. The Iranian Consortium, in which Texaco's interest is 7%, added to proved reserves through the discovery of five new fields. Two plants are being built to make liquefied petroleum gas (LPG) available for export in late 1969.

Also in the Middle East, the Fatah field offshore from Dubai was being developed for production in 1969. Texaco holds a 10% interest through Deutsche Erdöl A.G. (DEA). The Company's share of initial production here will be 5,000 barrels a day.

The Company's Libyan production grew rapidly as the result of a major expansion of the 50% owned Nafora field

and the pipe lines and terminal that serve it. Texaco's production rose 89.7% to an average of 122,000 barrels a day and, for December, averaged 170,000 barrels a day. A further increase to some 200,000 barrels a day is planned for 1969. In addition, a 37.5% interest was acquired in two prospective areas totaling 3,200,000 acres. Active exploration continues on these and other tracts.

Conditions in Nigeria continued to delay the scheduled start-up of production from 50% owned offshore acreage. As soon as these conditions permit, the Pennington discovery will be brought into production and exploratory work will be resumed on promising prospects.

Other possibilities for finding new reserves along the coasts of Africa are being investigated. Offshore from Gabon, a half interest was acquired in 796,000 acres and geophysical evaluation was planned. The Company also obtained a 100% interest in 1,280,000 acres offshore from Ghana, as well as interests in 3,318,000 acres lying in and offshore from Angola.

Exploratory interests in Europe were expanded to include offshore Greece through a 100% holding in 1,152,000 acres in the Gulf of Thermaikos, near Salonika. Geophysical studies were started promptly.

In the North Sea region, the search for new reserves was carried on through extensive geophysical surveys onshore in the Netherlands and in various offshore areas, and through exploratory drilling in offshore Denmark, Norway, and the United Kingdom. A half interest was obtained in development rights covering 15,440 acres surrounding the Akkrum gas discovery in the Netherlands.

In West Germany, DEA increased its oil production 5.0% to 34,000 barrels a day, produced 12.2 million cubic feet a day of natural gas, and mined sizable quantities of coal in the Ruhr Valley.

In Spain, 16 new exploration permits covering 1,572,000 acres, in which Texaco has a half interest, were acquired. These areas are now being evaluated. Small production, in which Texaco has a quarter interest, continued at Ayoluengo, Spain's only producing oil field.

In Indonesia, the Company's liftings from Caltex Pacific Indonesia, 50% owned by Texaco, climbed 30.0% to a new high average of 215,000 barrels a day and, for December, averaged 260,000 barrels a day. A further rise is scheduled in 1969 to meet the fast-expanding market for this low-sulphur crude. Aggressive exploration resulted in three

oil discoveries and one gas-condensate discovery. In addition, promising new areas totaling 1,280,000 acres, in which Texaco's interest is one-half, were acquired, and active evaluation was begun.

In Australia, Texaco obtained 8,000 barrels a day, up 123.7%, from the Barrow Island field, in which the Company's interest is 28.5%. Exploratory drilling was begun on other joint holdings offshore from Western Australia. Half interests were acquired in 5,288,000 acres offshore from Queensland in Eastern Australia and in 8,320,000 acres onshore in Papua, an Australian-administered territory in New Guinea. Both areas are scheduled for early evaluation.

Effective January 1, 1969, Texaco assumed operating responsibility for a number of joint exploration and producing areas in the Eastern Hemisphere that previously were the responsibility of the 50% owned American Overseas Petroleum Limited (Amoseas).

The new arrangements greatly increased Texaco's direct operating activities but made no change in the ownership of existing holdings. Among the areas for which Texaco assumed direct responsibility were the United Kingdom, Norway, Nigeria, Gabon, Eastern Australia, and Papua. Amoseas continues its activities with regard to joint operations in Libya and Indonesia.

## Manufacturing

Texaco's worldwide refinery runs, including equity in affiliates, rose 10.6% in 1968 to 2,377,000 barrels a day, compared with 2,155,000 barrels a day in the previous year.

At the year-end, Texaco's equity in refining capacity had increased to 2,454,000 barrels a day, through full or partial ownership of 63 refineries at strategic locations in 34 countries throughout the Free World. Refinery runs averaged 96.9% of aggregate rated capacity. Virtually maximum utilization was thus made of the Company's large investment in manufacturing facilities.

**United States:** Refinery runs in the United States rose 5.1% to 901,000 barrels a day, compared with 860,000 barrels a day in 1967. This new high level of operations was required to supply the growing demand for Texaco products. More gasolines, middle distillates, lubricating oils and greases, and petrochemical feed stocks were manufactured than in any previous year.

These runs at the Company's 12 U.S. refineries amounted to 97.4% of total rated capacity of 925,000 barrels a day.

When present expansion programs are completed, Texaco's refining capacity in the United States will exceed one million barrels a day.

The expanded and modernized Los Angeles Plant was placed in full operation. A new hydrogen generation unit, using Texaco's synthesis gas process, and related facilities increased the production of high-octane gasoline and other

## Worldwide refinery runs —crude oil, natural gas liquids, distillates

(including equity in nonsubsidiary companies)

Barrels a day

| <i>Texaco and subsidiaries:</i>         | <i>1968</i> | <i>1967</i> |
|-----------------------------------------|-------------|-------------|
| United States . . . . .                 | 901,000     | 860,000     |
| Trinidad . . . . .                      | 357,000     | 326,000     |
| Canada . . . . .                        | 133,000     | 125,000     |
| United Kingdom . . . . .                | 122,000     | 100,000     |
| Germany . . . . .                       | 63,000      | 60,000      |
| Belgium . . . . .                       | 43,000      | —           |
| Netherlands . . . . .                   | 32,000      | 18,000      |
| Guatemala . . . . .                     | 8,000       | 7,000       |
| Venezuela . . . . .                     | 5,000       | 6,000       |
| Honduras . . . . .                      | 5,000       | —           |
| Colombia . . . . .                      | 2,000       | 2,000       |
| Total Texaco and subsidiaries . . . . . | 1,671,000   | 1,504,000   |
| <i>Nonsubsidiary companies.</i>         |             |             |
| <i>Caltex companies:</i>                |             |             |
| Far East . . . . .                      | 188,000     | 163,000     |
| Middle East . . . . .                   | 119,000     | 129,000     |
| Africa . . . . .                        | 21,000      | 18,000      |
| Europe . . . . .                        | —           | 39,000      |
| Total Caltex companies . . . . .        | 328,000     | 349,000     |
| <i>Other companies:</i>                 |             |             |
| Saudi Arabia . . . . .                  | 125,000     | 104,000     |
| Germany . . . . .                       | 97,000      | 70,000      |
| Venezuela . . . . .                     | 46,000      | 53,000      |
| Iran . . . . .                          | 29,000      | 28,000      |
| Spain . . . . .                         | 24,000      | 12,000      |
| France . . . . .                        | 17,000      | 7,000       |
| Italy . . . . .                         | 13,000      | 7,000       |
| Turkey . . . . .                        | 10,000      | 5,000       |
| Ireland . . . . .                       | 9,000       | 10,000      |
| Switzerland . . . . .                   | 3,000       | 3,000       |
| West Africa . . . . .                   | 3,000       | 2,000       |
| Colombia . . . . .                      | 2,000       | 1,000       |
| Total nonsubsidiary companies . . . . . | 706,000     | 651,000     |
| Total worldwide . . . . .               | 2,377,000   | 2,155,000   |



The Company's expansion of worldwide refining capacity is highlighted by the start-up of the 100,000-barrel-a-day Ghent Plant in Belgium (a). The Louisiana Plant, Texaco's newest refinery in the United States, increases earnings by recovering spent caustic for sale while preventing water pollution (b). A highly trained Saudi Arab checks a control panel at Aramco's Ras Tanura refinery (c).

high-value products from heavy crude oils and eliminated the output of the less profitable heavy fuel oils. A new deep-water terminal was completed at nearby Long Beach to handle supertankers serving this refinery.

The expansion of the Louisiana Plant in rated capacity from 110,000 to 145,000 barrels a day was essentially completed by the year-end.

The Port Arthur Plant in Texas, the Company's largest U.S. refinery with a capacity of 310,000 barrels a day, is being expanded to increase the crude throughput by approximately 80,000 barrels a day by late 1970. In addition, computer control systems are being installed on two large catalytic reforming units there.

Texaco's use of the latest refining facilities, processes, control systems, and technical know-how permits the manufacture of larger volumes of more valuable products from each barrel of crude oil and thereby upgrades the profitability of refining operations.

**Other Western Hemisphere:** Refinery runs elsewhere in the Western Hemisphere, including equity in affiliates, rose 7.4% to 558,000 barrels a day, compared with 520,000 barrels a day in 1967.

At the year-end, Texaco's interest in the rated capacity of 13 plants in this area totaled 568,000 barrels a day.

The four refineries of Texaco Canada Limited processed a new high of 133,000 barrels a day. The construction of large storage tanks at the Montreal and Halifax Plants is improving their flexibility to supply market demand. The Montreal Plant has been increased in capacity to 61,000 barrels a day. The Edmonton Plant is being enlarged to 18,000 barrels a day, and a distillate hydrotreater was added there to improve the quality of diesel fuels, especially to supply the large demand in the railway market.

Texaco's equity in refinery runs of nine plants in Latin America and the Caribbean reached a new peak of 425,000 barrels a day. Included in this total was the all-time high of 352,000 barrels a day processed at the Pointe-à-Pierre Plant in Trinidad. With a rated capacity of 350,000 barrels a day, this plant processes more crude oil at present than any other Texaco refinery.

Two new refineries were brought on stream. The 9,300-barrel-a-day Puerto Cortés Plant in Honduras, 67% owned by Texaco, was operated at capacity to manufacture a full line of products for internal sale, as well as various products for export to other Caribbean markets. A prefabricated 1,000-

barrel-a-day plant, 50% owned by Texaco, was installed at the Orito field in Southern Colombia.

The Escuintla refinery in Guatemala is being increased in capacity from 8,500 to 14,000 barrels a day. This expansion is scheduled for completion in 1970.

**Eastern Hemisphere:** Texaco's equity in refinery runs in the Eastern Hemisphere increased 18.8% to 918,000 barrels a day, compared with 775,000 barrels a day in 1967.

At the year-end, Texaco's equity in the rated capacity of 38 refineries in this area totaled 961,000 barrels a day.

The larger part of the 1968 gain was made in Western Europe, where Texaco's total equity in refining capacity was increased to 492,000 barrels a day in 15 refineries. Texaco's European refinery runs increased 30.1% to an average of 433,000 barrels a day.

Contributing to this gain were the 22.9% increase in refinery runs at the wholly owned Pembroke Plant in Wales to a new high of 122,000 barrels a day; the expansion of the 50% owned Frankfurt refinery in West Germany to a capacity of 90,000 barrels a day; the completion of the 80,000-barrel-a-day Vexin refinery in France, now 15% owned, and the start-up of the wholly owned, 100,000-barrel-a-day Ghent refinery in Belgium.

The Ghent refinery is designed to process a blend of Libyan and Arabian crudes and to meet European requirements for both high-octane gasolines and low-sulphur fuels. It is centrally located for economically supplying a full range of products to Western Europe's principal markets. This plant went on stream around the middle of the year. It was quickly brought up to full-capacity operation. Thus maximum use was promptly made of a major capital investment.

Additional capacity will be made available in 1969 by the expansion of two other major European refineries. The Pernis Plant in the Netherlands, 31.6% owned, is being expanded from 100,000 to 250,000 barrels a day. The Cartagena refinery in Spain is being enlarged from 126,000 to 160,000 barrels a day. Texaco's equity in this plant has been increased from 12% to 20%.

The Company also will participate in the financing of the expansion of the Greek State Refinery and will continue to supply part of its crude requirements.

Of Texaco's seven equity-interest refineries in Africa, two are being expanded in 1969. The expansion of the Cape Town refinery in South Africa to 34,500 barrels a day will

include the installation of a fluid catalytic cracking unit of Texaco design to upgrade the quality of gasoline. This plant is wholly owned by the Caltex group of companies, in which Texaco has a 50% interest. The expansion of the Mombasa refinery in Kenya, 23% owned by Caltex, to 46,000 barrels a day will include the construction of lubricating oil and grease plants.

Among Texaco's 16 equity-interest refineries in the Middle East and the Far East, five are Japanese refineries that are 50% owned by Caltex. Texaco's quarter interest in this Japanese refining capacity was raised to a total of 120,000 barrels a day by the doubling of the Negishi refinery, outside Tokyo. This plant, which also manufactures high-grade lubricants, is now the largest in Japan, with a capacity of 200,000 barrels a day.

A sixth Japanese refinery, also 50% owned by Caltex, is scheduled for construction at Osaka by 1971. It will have a capacity of 80,000 barrels a day.

At the year-end, the 60,000-barrel-a-day Yosu refinery in Korea, 50% owned by Caltex, was nearing completion. Caltex will supply all of its crude requirements.

## Marketing

In 1968 Texaco's worldwide sales of petroleum products, including equity in affiliates, exceeded two and one-half million barrels a day for the first time. The year's average of 2,579,000 barrels a day was 9.2% above the 1967 level of 2,369,000 barrels a day.

Product sales in the Western Hemisphere increased 9.3% to 1,516,000 barrels a day. Sales in the Eastern Hemisphere rose 9.0% to 1,063,000 barrels a day, thereby topping one million barrels a day for the first time.

**United States:** The Company's gains in total sales of refined products in the United States surpassed the industry-wide average. A policy of selective marketing was followed in order to concentrate these sales gains in those geographical areas, classes of trade, and channels of distribution that generate the most favorable returns.

Texaco's sales of *Sky Chief* and *Fire Chief* gasolines increased more rapidly than the average of competitors. The Company further raised its gasoline sales volumes and sales revenues to new high levels. Gasoline sales account for the largest share of the Company's sales in terms of both volume and revenue.

In keeping with Texaco's leadership in developing top-



This sale of *Sky Chief* at Charlotte, N. C.—and millions of other such sales in all 50 states—helps boost Texaco's gasoline volume faster than the average of competitors.

quality products, *Sky Chief*, the Company's premium gasoline, was further improved with a new-type additive. This additive, which was developed to minimize the formation of intake valve and port deposits, can lower the cost of driving by making possible more miles per gallon and fewer major engine repairs.

The new *Sky Chief* was introduced in June with a most effective campaign of advertising and sales promotion, featuring Jack Benny, to inform the motorist about the advantages of this product.

It is Texaco's opinion that it can best serve the consuming public by constantly improving and promoting the high quality of its products and services.

On December 7, Texaco began its 29th consecutive season of sponsoring the Saturday afternoon broadcasts of the Metropolitan Opera from New York City over a special network of 121 radio stations in the United States, as well as in Canada and Puerto Rico.

As for several years past, many new, high-volume service stations were developed to strengthen further the Company's outstanding position along the expanding Interstate Highway System and also in other selective markets that offer the best prospects for profitability and growth. Many long-established facilities were modernized in order to improve their customer appeal and sales volumes. In addition, significant steps were taken to eliminate uneconomical or unattractive outlets.

The new and modernized stations, being bright, distinctive, and well-landscaped, exemplify the Company's policy and desire, as a corporate citizen, to be a leader in the na-



This delivery of jet fuel at the Tampa Airport in Florida helps account for the very substantial growth in aviation sales throughout the United States.



This use of sophisticated equipment at the Houston Credit Card Center helps handle many millions of automotive, marina, and airport sales with optimum efficiency.

tionwide efforts to upgrade the attractiveness of the American scene.

The Texaco National Credit Card continued to offer a distinct advantage based on Texaco's unique position as the only petroleum company that has substantial and widespread retail distribution under a single trademark in all 50 states. Highly automated and sophisticated systems were phased into operation at the Company's credit card centers in order to handle credit sales with optimum efficiency at minimum cost.

The Company further expanded its service to the motoring public by broadening the line of Texaco-branded merchandise in the *Quality Line*. New items included spark plugs, ignition parts, blades and arms for windshield wipers, and caps for radiators, gasoline tanks, and oil fillers.

Aviation sales continued to grow very substantially in terms of both volume and revenue. Texaco's aviation gasoline, jet fuel, and other products were available to airlines and through airport dealers in all 50 states.

Texaco marinas, located from coast to coast and constituting one of the largest networks of retail outlets serving recreational boating in the United States, made sharp gains in sales of *Sea Chief* gasoline in this rapidly expanding market. A new Texaco outboard motor oil and a new line of marine batteries were introduced.

Sales of *Fuel Chief* home heating oil and other middle distillates were maintained at previous high volumes and generated improved revenues. Substantial growth in the sale of *Fuel Chief* oil burner equipment expanded the potential market for Texaco heating oils. Sales volumes of indus-

trial fuel rose to an all-time high. Gains in sales of industrial lubricants and greases strengthened Texaco's leading position in this field.

The Company's marine lubricants were selected for virtually every newly constructed type of ocean-going vessel, ranging from roll-on, roll-off containerships to deep-sea fishing trawlers.

A new lubricating oil and grease plant was opened adjacent to the Los Angeles refinery to supply greater volumes of top-quality products to the fast-growing market in the Western states. This highly automated, electronically controlled facility produces different combinations of packages and grades of *Havoline* and other lubricating oils and of *Marfak* and other greases. It employs the technology of tomorrow in the form of the Texaco Continuous Grease Process, instead of grease kettles using the hitherto standard batch process. With the largest such unit yet built, this facility can manufacture four times as much high-quality grease as compared with standard grease-kettle manufacturing.

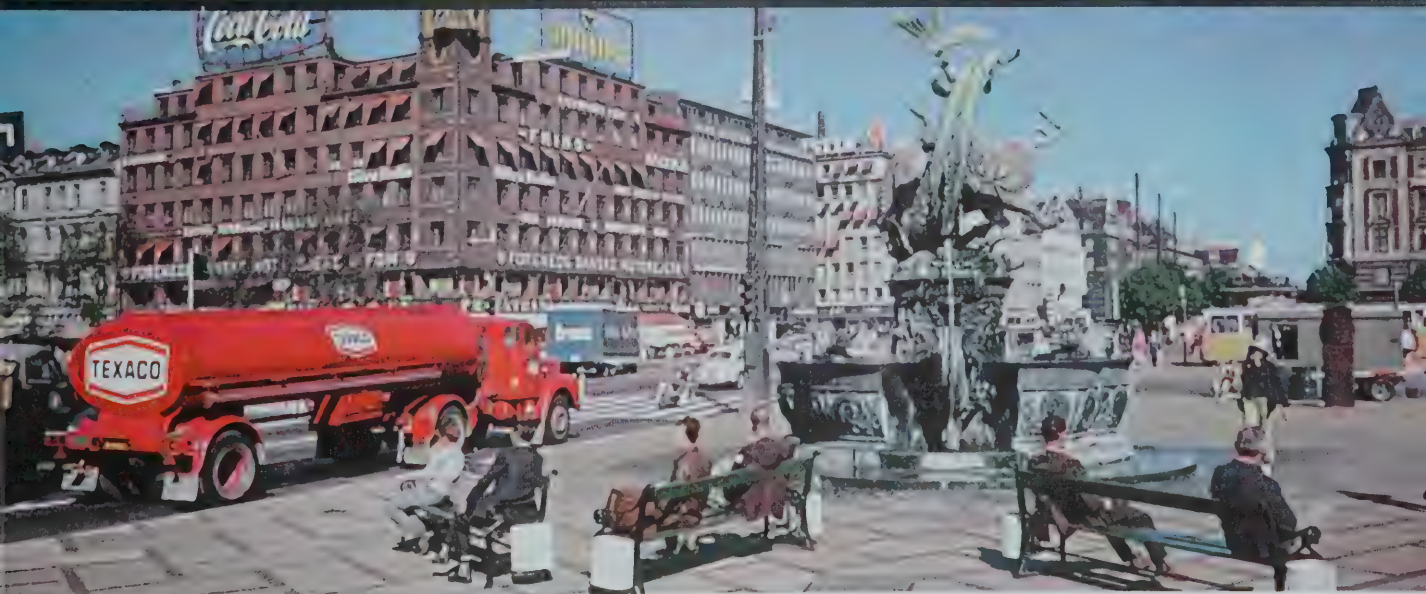
**Other Western Hemisphere:** Texaco's total sales of refined products in Canada attained an all-time high. The Company enlarged its percentage of the gasoline market, scored substantial gains in credit card usage, and completed or modernized a sizable number of service stations. Sales volumes of heating oils also rose to new peaks.

Sales volumes in Latin-American and Caribbean markets also recorded increases. Overall profitability was affected by less than favorable sales prices due principally to government-controlled prices in some (continued on Page 18)

## Texaco in Scandinavia

Texaco service stations and other facilities throughout Scandinavia have been converted to the Texaco hexagonal trademark to reflect the consolidation of marketing operations in each of 12 European countries. A Swedish marina (a) adjacent to the historic Vaxholm castle, outside Stockholm, duplicates the services of the Company's marinas throughout the United States. A Texaco Tourist Guide (b), however, is a Scandinavian exclusive, riding a Texaco motor scooter in major cities and directing tourists to their destinations or to their favorite service stations. With a per capita consumption of petroleum products that is even larger than either the United Kingdom's or West Germany's, Scandinavia offers an active market, as exemplified by service stations of Texaco Oil Aktiebolag (c) in Stockholm and of Norsk Texaco Oil A/S (d) in Oslo, and by a tank truck of Texaco A/S (e) near the Tivoli Gardens in Copenhagen.





(continued from Page 15) areas. Outstanding gains were made in LPG sales. A new lubricating oil blending plant was opened at Acajutla, El Salvador. It is supplying a large share of Texaco's lubricating oil demand in the Central American Common Market.

Aviation sales were boosted in Colombia by the development of new airport facilities at Bogotá and elsewhere.

New marine facilities were added in the Panama Canal Zone to blend intermediate fuel oils and at Port-of-Spain, Trinidad, to supply fishing fleets. These are only two of about 160 ports where Texaco bunker fuels are available and nearly 500 ports where marine lubricants are available throughout the Free World.

**Eastern Hemisphere:** The first full year of integrated sales operations by Texaco companies in European countries resulted in significant growth in total sales volumes of refined products. Substantial gains were made in gasoline sales. Major growth also was recorded in sales of home heating oils as the result of the growing trend toward domestic central heating.

Widespread customer acceptance greeted the introduction of the improved *Havoline* motor oil and of *Quality Line* specialties in the British Isles and on the European Continent. The introduction of new *Texamatic* fluids for automatic transmissions enabled the Company to cover a substantial part of the factory-fill market in West Germany, including all major manufacturers.

Aviation sales were enhanced by the expansion of Texaco's facilities to include the Brussels airport and by the completion of pipe line facilities to serve the London airport.

The Company's ability to supply worldwide shipping was strengthened to include the delivery of Texaco-branded lubricants at French ports.

Considerable progress was made in consolidating sales operations in each of 12 European countries. Effective methods were being developed to expand volume and to upgrade profitability.

By the year-end, all of Texaco's service stations in Ireland, Northern Ireland, Scandinavia, the Low Countries, Switzerland, Italy, and Greece were displaying the Texaco hexagonal trademark. In addition, many service stations in West Germany and newly constructed stations in Great Britain adopted the Texaco identification. The introduction of the Texaco identification was accompanied by measurable gains in sales volumes.



Among the major contributors to worldwide sales growth is Deutsche Erdöl A.G. (DEA), which is the principal Texaco company in West Germany, the largest market in Western Europe.

Attractive service stations were designed especially to meet the needs of European markets.

West African sales by Texaco companies showed substantial increases in both volume and revenue. Additional service stations were constructed in those countries which demonstrated their economic viability and growth potential. *Quality Line* products were introduced generally throughout West Africa. Industrial sales were boosted by the expansion of extractive industries.

Texaco's first lubricating oil blending plant in West Africa was completed at Lagos, Nigeria, and a second was begun at Abidjan, Ivory Coast. Aviation sales were initiated by the opening of airport facilities at Dakar, Senegal, at Lagos, and at Abidjan. New marine bunkering terminals, in which the Company will have interests, are being built in Ghana and Mauritania.

The 50% owned Caltex Petroleum Corporation, concentrating its aggressive marketing efforts in Asia, Australia, and large parts of Africa, boosted its overall sales to more than one million barrels a day. Its largest volume gains were scored in Japan, the Free World's second-ranking petroleum market after the United States, where Caltex completed its 20th year of association with Nippon Oil Company. Caltex-branded products are distributed by Nippon Oil, Japan's leading marketer.

Caltex maintained its strong position in other major markets such as South Africa, the Philippines, and Australia. It opened an ocean terminal at Darwin to facilitate its sales in northern areas of Australia, which have shown rapid growth in mining, agriculture, and stock raising.

## Petrochemicals

Growing demand for the Company's lines of petrochemicals required virtually capacity production at all major facilities in the United States, Canada, Trinidad, Belgium, and West Germany. Worldwide sales of petroleum-based and other chemical products continued their record of steady growth and reached new highs in both volumes and revenues.

Texaco's highly selective approach to petrochemical in-

vestments lessened to some extent the effect on the Company of general price weaknesses in the chemical industry during 1968. Texaco's petrochemical plants are designed to produce large volumes of basic or intermediate chemicals as economically as possible, and thus to upgrade its own raw materials into more valuable and high-purity products that have dependable markets as building blocks for chemical manufacturers.

Texaco continued to base its petrochemical business on manufacturing and marketing a broad line of organic chemicals, fuel and lubricant additives, and agricultural chemicals. The Company also achieved good gains in sales of feedstocks to the chemical industry.

**United States:** Texaco's largest aromatics complex was brought on stream adjacent to the Eagle Point refinery in New Jersey. This new plant assisted the Company in supplying benzene and toluene to meet expanding demand resulting from renewed growth of the synthetic fiber, detergent, and plastics industries.

More additives were manufactured than ever before at the two additive plants at Port Arthur to supply the increasing demand for these products. To accommodate further growth, these two plants are being expanded and a third is under construction.

Texas-U.S. Chemical Company, 50% owned by Texaco, operated its production facilities for butadiene and synthetic rubber at Port Neches, Texas, at capacity levels throughout the year. It achieved a new high in United States sales and continued to export significant quantities as well.

Jefferson Chemical Company, Inc., also 50% owned, brought on stream a large new ethylene oxide unit at Port Neches, and thus strengthened its position as one of the world's largest producers of ethylene oxide and ethylene glycol. These products are widely used in detergents, permanent-type anti-freezes, and polyester fibers. Jefferson also expanded its production of an improved sweetening agent for natural gas and of an anti-icing additive for jet fuel. In addition, it boosted its sales of polyols, which are used in making urethane foams for mattresses, crash pads, and insulation.

**Other Free World:** The production of the normal paraffins plant at Pointe-à-Pierre, Trinidad, was marketed to meet the growing worldwide demand for high-purity raw materials for biodegradable detergents.

Texaco's position as a leading supplier of normal paraf-

ins will be further strengthened in late 1969 by the completion of a large new plant at Ichihara, located on Tokyo Bay, by Mitsui-Texaco Chemicals Company Ltd. To be 47.5% owned by Texaco, this will be the Company's first major chemical plant in the Far East.

The Ghent Chemical Plant in Belgium, in its first full year of operation, increased the output of its complete line of lubricating oils, greases, and additives to supply expanding markets in Western Europe and West Africa.

Jefferson Chemicals U.K., a partnership in which Texaco has a half interest, completed a new plant at Llanelli, Wales, and began the production of morpholine, piperazine, and related products.

## Pipe Lines

At the year-end, the Company's integrated system of pipe lines extended 32,382 miles throughout the Free World. This total included full ownership of 5,922 miles for carrying crude oil and 1,033 miles for moving refined products, plus equity interests in 16,760 miles of crude lines and 8,667 miles of products lines. In addition, the Company utilized other pipe lines in which it held no ownership interests.

Pipe line movements in the Company's system increased 3.2% in 1968 over the prior year, as new lines were opened and existing ones were boosted in capacity. Texaco and subsidiary companies transported 1,846,000 barrels a day by pipe line, including 1,411,000 barrels a day of crude oil and 435,000 barrels a day of refined products.

**United States:** The largest-diameter crude pipe line yet constructed in the United States made its first deliveries in September. Known as Capline, this 40-inch system is 625 miles long and has an initial capacity of 417,000 barrels a day. Texaco's 18% ownership enables the Company to move 75,000 barrels a day from South Louisiana producing fields to Patoka, Illinois, for further routing to its Lockport and Lawrenceville refineries, also in Illinois. More pump stations can be added eventually to more than double Capline's capacity.

The world's largest products system, the 36-inch Colonial line, approximately 16% owned by Texaco, was expanded in capacity from 1,100,000 to 1,200,000 barrels a day by the addition of more pumping equipment. Texaco uses the Colonial line to move refined products from the Port Arthur and Louisiana Plants to Southeastern and East Coast markets. Looking further into the future, two new large-diameter



The Trans-Andean pipe line, running from the Amazon jungles of Southern Colombia to the Pacific Ocean, is constructed with the assistance of helicopters to lift heavy lengths of pipe.

products lines are being planned to provide economic transportation from the Port Arthur and West Tulsa refineries to Midwestern markets by the early 1970's. These are the Gateway, to be 17% owned by Texaco, and the Explorer, to be 11.5% owned.

**Other Free World:** In South America, the Trans-Andean pipe line was nearing completion at the year-end after construction delays caused by extremely difficult terrain and weather. This 193-mile line with a maximum diameter of 18 inches, crossing the Andes at 11,500 feet, will move crude oil from the Putumayo area of Southern Colombia to the Pacific Ocean. A feasibility study is being made in Ecuador for another line across the Andes to the Pacific. Texaco has a 50% interest in both projects.

On the European Continent, Texaco's ability to transport growing volumes of crude and products more dependably at lower unit costs is being enhanced by the development of an integrated network of pipe lines. A wholly owned 20-inch line was placed in operation in Belgium to carry crude oil 34 miles from a marine terminal at Zeebrugge to the new refinery at Ghent. This line has an initial capacity of 100,000 barrels a day. The 5% owned Rhine-Main ("RMR") line, 24 inches in diameter and 304 miles in length, also was completed. It permits the Company to move heating oils from the Pernis refinery in the Netherlands to Germany's Rhine-land and Ruhr areas.

The 19.8% owned United Kingdom products line, now

being completed, is expected to be in full operation by the spring of 1969. With a maximum diameter of 14 inches, it will permit the supply of the London and Midlands areas from marine terminals at both its northern and southern ends. A second pipe line, to be approximately 20% owned and known as the "MMM," is planned for construction from the Pembroke refinery on Milford Haven to the industrial Midlands and Mersey areas.

## Marine

At the year-end, the Texaco marine fleet exceeded seven million deadweight tons for the first time, as 161 ocean-going tankers totaling 7,173,223 tons were owned or operated under term charter.

The marine fleet in 1968 delivered an average of 2,329,000 barrels a day of crude oil and refined products. This new high was 20.5% above the 1967 level.

The Suez Canal remained closed during the entire year. Tankers carrying crude oil from Middle Eastern producing areas to Atlantic and Mediterranean ports had to make the long voyage around the African Continent. The demand for tanker tonnage continued to be firm, and the charter cost of moving oil remained substantially higher than it was prior to the Suez closing in June, 1967. However, the dislocation of traditional traffic patterns was overcome, and adequate crude supplies were delivered to meet the Company's refinery requirements.

Ten mammoth tankers, each of more than 200,000 deadweight tons, have been ordered so as to ensure that the most efficient tonnage is available to meet Texaco's growing needs. These ships will provide economical transportation from the Middle East around Africa to Western Europe, as well as on other worldwide routes.

Of these ten, three of 255,000 tons each are being constructed in Denmark and a fourth in the United Kingdom. Four 209,000-tonners are being built in West Germany. Two 212,000-tonners have been ordered in Japan for term charter. Three of these ten will go into service in 1969. Like all ships built for Texaco in recent years, these will be extensively automated and equipped with the most modern pollution-control systems. Terminal facilities serving Texaco's major refineries in Europe are being improved to receive these large ships.

The 101,000-deadweight-ton *Texaco Westminster*, built in the United Kingdom, was delivered in 1968 and, at pres-



A sea island in deep water off Ras Tanura, Saudi Arabia, is used for loading crude oil for Western Europe into the *Texaco Westminister*, at present the largest tanker owned by the Company.

ent, is the largest crude carrier owned by Texaco. The *Texaco Brussels*, *Texaco Ghent*, and *Texaco Rotterdam*, each of about 24,700 deadweight tons and all constructed in the Netherlands, went into the service of carrying refined products and petrochemicals. Four older tankers of between 16,000 and 19,800 tons were reconstructed in Japan and Sweden to raise their capacities to 22,500 tons each.

## Research

The Company and worldwide subsidiaries spent approximately \$37,000,000 in 1968 to provide new and advanced technology for the support of all phases of Texaco operations. Research projects and technical services were geared to practical applications that fostered the growth and profitability of Texaco.

The Company's program for monitoring the quality of its products, manufactured both in the United States and abroad, ensures that Texaco brand-name products meet the same high performance standards wherever they may be marketed.

**United States:** Continuing effort was devoted to fundamental research into basic phenomena underlying major areas of the Company's business. These long-range studies in 1968 made possible a better understanding of the chemistry of the internal-combustion engine. In turn, this understanding shed light on such matters as the formation of nitrogen oxides and sulphur oxides during fuel combustion,

the effect of these oxides on lubricating oil, and the role of alkalinity in preventing the formation of rust and deposits. These findings were applied to the formulation of better lubricating oils.

Other basic research uncovered new techniques for converting normal paraffins and their primary derivatives into new types of chemical products. This work promises to develop added markets for normal paraffins, which are now produced primarily for the manufacture of detergents.

The Company's capabilities in the never-ending search for new oil reserves were strengthened by new techniques for seismic exploration. Better procedures were developed for evaluating the likelihood of finding offshore reserves and for selecting the most favorable locations for exploratory drilling.

Good progress in production research was made with basic engineering studies of miscible flooding techniques for injecting light hydrocarbons into certain oil reservoirs to facilitate the economic recovery of additional oil. Notable success was achieved in reducing the upflow of sand in oil wells, especially those that produce from more than one horizon. An economic method was developed to prevent damage to the casing in steam-injection wells. Promising work is going on to improve the flow of waxy crude oil through pipe lines.

Technological progress in the refining field was highlighted by the development of a fluid catalytic cracking



At the Texaco Research Center at Beacon, N.Y., a Company chemist is involved in the studies that led to the new additive for Texaco's *Sky Chief* gasoline.

process with unique design features for licensing by Texaco Development Corporation. This new process offers greater gasoline yields, higher octane ratings, and more flexibility. Processes were developed for converting high-sulphur residual oils into low-sulphur fuels of greater value.

Steady progress was made in the search for the necessary technology to meet appropriate standards for air and water conservation. In the continuing effort to reduce emissions from gasoline and diesel engines, special studies were made of interactions between engines and fuels and of changes in the composition of fuels. The Richmond Research Laboratories in Virginia, formerly known as Texaco Experiment Incorporated, devised new ways to clean up oil spills in water.

Engineering studies of a Texaco-patented process for the production of fresh water from saline water showed it to be competitive with conventional methods. This procedure utilizes the property of a hydrocarbon under pressure to dissolve water out of saline solutions. When the pressure is released, potable fresh water separates from the hydrocarbon, which is then returned for further use.

Major attention was given to developing new and improved products to meet changing needs of Texaco's customers. Included were new crankcase lubricants, rust-inhibited varieties of certain greases, and a new-generation additive to improve the viscosity of lubricating oil stocks at varying temperatures. In addition, a heavy-duty lubricant

was introduced for hot-forging ordnance materials, exotic metals, steel tank sections, engine valves, jet engine blades, and pipe flanges.

The year's most important commercial application of research technology involved the new type of gasoline additive for *Sky Chief*. Its use minimizes the formation of intake valve and port deposits in automotive engines, and it is a superior product.

Effective use of computer technology was made not only for research projects but for the full range of the Company's operations.

The replacement of all of Texaco's electronic computers in the United States with more advanced types was completed in 1968. The new computers are capable of greater performance at less cost.

**Other Free World:** Research and technical services were carefully coordinated to provide close support for all major areas in which Texaco markets directly. The newly inaugurated European Research Center at Ghent, Belgium, provides technical assistance for the expanding sales of Texaco products in Western Europe, as well as fundamental research in selected fields.

Similar assistance was provided by laboratory facilities and technical services offices in the United Kingdom, West Germany, Canada, and Brazil, by laboratories in Trinidad, and by technical services offices in Puerto Rico, Colombia, and Morocco.

European fuel needs were surveyed to make sure that Texaco products are second to none in that area. European car requirements were evaluated and additives were developed to provide superior qualities for the Company's gasolines. Texaco-branded lubricating oils and greases were formulated for manufacture and sale in West Germany.

## Employe and Public Relations

As of December 31, 1968, Texaco Inc. and consolidated subsidiaries had 78,475 employes worldwide. This was slightly under the total of 79,773 at the end of 1967.

Higher wages and improved benefits raised the Company's costs for payrolls and benefits to \$609,376,000 in 1968, compared with \$572,275,000 in 1967.

Effective January 1, 1969, the Company granted to most employes in the United States a general wage increase amounting to approximately 6%. Certain improvements were also made in medical and pension plans.



At the Port Arthur Plant, Texaco's largest refinery in the United States, a maintenance supervisor (left) reviews job plans with some of his fellow employees.

A total of 156 labor agreements with various unions were in effect at the year-end, including 115 in the United States, 31 in other areas of the Western Hemisphere, and 10 in the Eastern Hemisphere. In the course of the renegotiation of a number of these agreements, a strike occurred in early 1969 at certain refineries and other installations in the United States.

In the United States, Company employees in seven bargaining units voted to change from union to non-union status, reducing the total number of bargaining units to 115. Nineteen disputes were submitted to voluntary arbitration, as provided in labor agreements. Of the awards handed down, 17 sustained the Company's position.

Further action was taken to carry out the Company's long-standing policy of nondiscrimination against any employee or applicant because of race, religion, color, sex, or national origin. As an equal opportunity employer, the Company cooperated in recruiting and training the hard-core unemployed and in providing financial support to selected educational institutions that render constructive service to the disadvantaged. It also participated fully in Federal, state, and local programs and in those of the National Alliance of Businessmen. In the Company's judgment, its commitment to these policies and programs can be rewarding in terms of human rehabilitation, economic advancement, and reduced government cost.

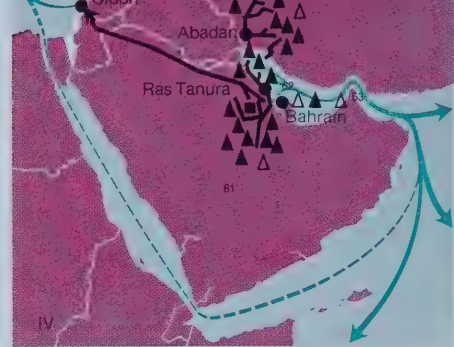
Continued progress was made in working toward the goal

of staffing all Texaco companies as fully as possible with citizens of the countries in which they operate. The overwhelming majority of Texaco employees outside the United States are nationals of the countries where they work.

The Company presented positively its views on leading issues in public affairs that can have a significant impact on its future. Among the issues stressed were the necessity for arresting the wage-price inflationary spiral in the United States, the potential danger to national security from requested exemptions to the oil import program, the harmful long-range impact on the nation's balance of payments from the mandatory restrictions on direct investment abroad, and the importance of preserving national interests in the continental shelves and the deep oceans beyond.

Texaco's emphasis on the health and safety of its employees produced effective results worldwide. In the United States, its rate of disabling injury was 30% lower than the level of the petroleum industry, and its rate specifically in refinery operations was more than 50% below the industry's average. In other areas, Texaco companies expanded their health services and placed special stress on toxicological services in order to promote the safe handling and use of petroleum products.



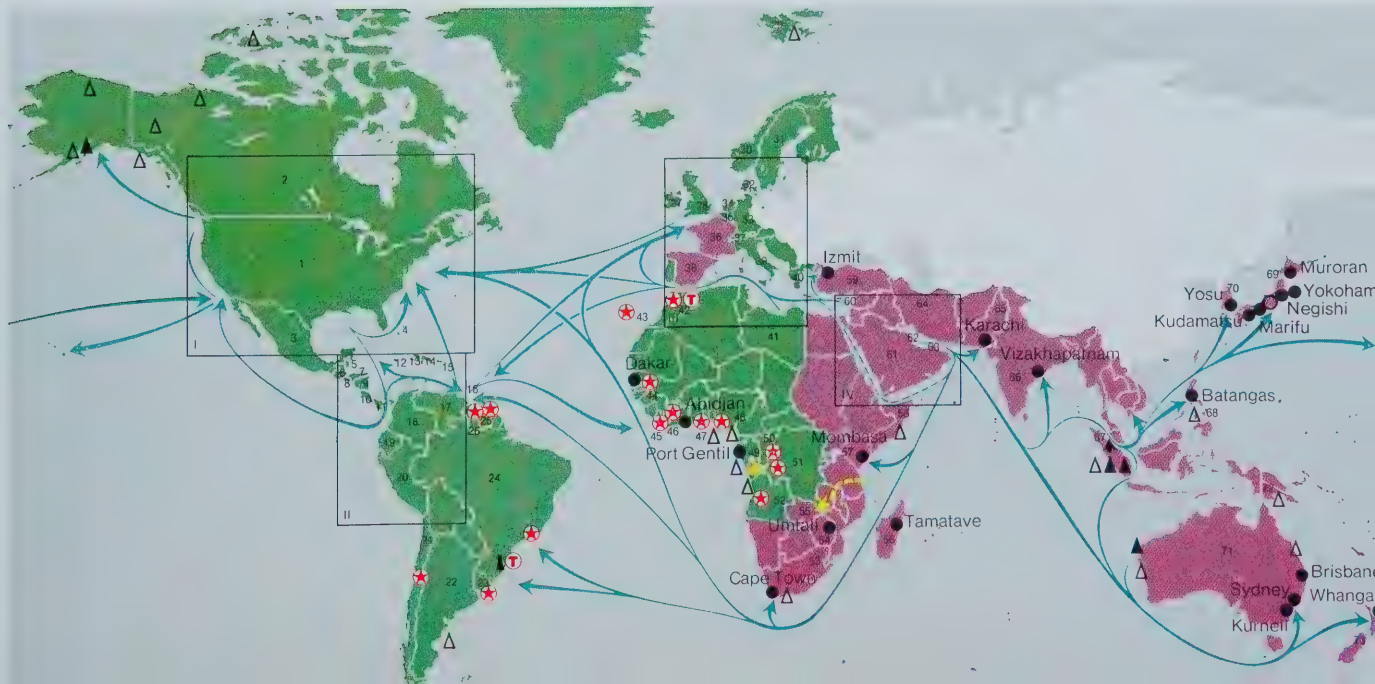


- |                        |                   |                        |
|------------------------|-------------------|------------------------|
| 1 United States        | 25 Surinam        | 50 Congo (Brazzaville) |
| 2 Canada               | 26 Guyana         | 51 Congo (Kinshasa)    |
| 3 Mexico               | 27 Ireland        | 52 Angola              |
| 4 Bahamas              | 28 United Kingdom | 53 South Africa        |
| 5 British Honduras     | 29 Spitsbergen    | 54 Rhodesia            |
| 6 Guatemala            | 30 Norway         | 55 Zambia              |
| 7 Honduras             | 31 Sweden         | 56 Malagasy Republic   |
| 8 El Salvador          | 32 Denmark        | 57 Kenya               |
| 9 Nicaragua            | 33 West Germany   | 58 Somalia             |
| 10 Costa Rica          | 34 Netherlands    | 59 Turkey              |
| 11 Panama              | 35 Belgium        | 60 Lebanon             |
| 12 Jamaica             | 36 France         | 61 Saudi Arabia        |
| 13 Haiti               | 37 Switzerland    | 62 Bahrain             |
| 14 Dominican Republic  | 38 Spain          | 63 Dubai               |
| 15 Puerto Rico         | 39 Italy          | 64 Iran                |
| 16 Trinidad and Tobago | 40 Greece         | 65 Pakistan            |
| 17 Venezuela           | 41 Libya          | 66 India               |
| 18 Colombia            | 42 Morocco        | 67 Indonesia           |
| 19 Ecuador             | 43 Canary Islands | 68 Philippines         |
| 20 Peru                | 44 Senegal        | 69 Japan               |
| 21 Chile               | 45 Liberia        | 70 South Korea         |
| 22 Argentina           | 46 Ivory Coast    | 71 Australia           |
| 23 Uruguay             | 47 Ghana          | 72 Papua               |
| 24 Brazil              | 48 Nigeria        | 73 New Zealand         |
|                        | 49 Gabon          |                        |

## Texaco's Worldwide Operations

- |                                                      |                                                       |
|------------------------------------------------------|-------------------------------------------------------|
| △ Exploration                                        | ★ Principal Marketing Offices—Texaco and Subsidiaries |
| ▲ Principal Oil Production                           | ⓧ Technical Services Offices                          |
| ■ Principal Gas Operations                           | ⚙ Research Laboratories                               |
| ● Refineries (see names on maps)                     | — Principal Tanker Routes                             |
| ○ Planned Refineries                                 | — Crude Oil Pipe Lines (wholly or partly owned)       |
| ● Petrochemical Manufacture                          | --- Crude Oil Pipe Lines (used but not owned)         |
| ■ Fertilizer Manufacture                             | — Products Pipe Lines (wholly or partly owned)        |
| ■ Marketing Areas—Texaco and Subsidiaries            | — Products Pipe Lines (used but not owned)            |
| ■ Marketing Areas—Texaco Subsidiaries and Affiliates |                                                       |





# **Texaco Inc.** **and Principal Subsidiaries and Affiliates** (Texaco's percentage of ownership is shown in parentheses)



The headquarters of Texaco Trinidad, Inc., one of the major Texaco companies, is located at Pointe-à-Pierre, which also is the site of the Company's largest refinery in terms of crude capacity.

## **United States**

**Texaco Inc.**—exploration, producing, transportation, refining, petrochemicals, marketing in United States  
**Badger Pipe Line Company** (22%)—pipe line transportation from E. Chicago, Ind., to Madison, Wis.  
**Colonial Pipeline Company** (16%)—pipe line transportation from Houston, Texas, to New York, N.Y.  
**Coltex Corporation** (49%)—natural gas products in Louisiana and Texas  
**Federal Chemical Company** (100%)—manufacturing, marketing of fertilizers in United States  
**Jefferson Chemical Company, Inc.** (50%)—chemicals in United States  
**Kaw Pipe Line Company** (33%)—pipe line transportation in Kansas  
**Laurel Pipe Line Company** (27%)—pipe line transportation from Philadelphia, Pa., to Cleveland, Ohio  
**Olympic Pipe Line Company** (33%)—pipe line transportation from Bellingham, Wash., to Portland, Ore.  
**Texaco-Cities Service Pipe Line Company** (50%)—pipe line transportation from Cushing, Okla., to E. Chicago, Ind.  
**Texaco Development Corporation** (100%)—patent licensing, worldwide  
**Texas-New Mexico Pipe Line Company** (45%)—pipe line transportation from Aneth, Utah, to Houston, Texas  
**Texas-U. S. Chemical Company** (50%)—butadiene and synthetic rubbers in United States  
**The Texas Pipe Line Company** (100%)—pipe line transportation in Ill., Ind., La., Mo., Mont., N. J., N. M., Okla., and Texas  
**THUMS Long Beach Company** (20%)—producing in Wilmington field, Calif.  
**Wolverine Pipe Line Company** (17%)—pipe line transportation from E. Chicago, Ind., to Detroit, Mich., and Toledo, Ohio  
**Wyco Pipe Line Company** (40%)—pipe line transportation from Casper, Wyo., to Colorado Springs, Colo.

## **Canada**

**Texaco Canada Limited and subsidiaries** (68%)—exploration, producing, transportation, refining, petrochemicals, marketing in Canada  
**Texaco Exploration Company** (100%)—exploration, producing, pipe line transportation in Canada

## **Latin America**

**Colombian Petroleum Company** (50%)—exploration, producing, refining in Colombia  
**Coro Petroleum Company** (100%)—exploration, producing in Venezuela  
**Refineria Texaco de Honduras, S. A.** (67%)—refining in Honduras  
**Sociedad Anonima Petrolera Las Mercedes** (50%)—exploration, producing, pipe line transportation in Venezuela  
**Texaco Brasil S. A.—Produtos de Petroleo** (100%)—marketing in Brazil  
**Texaco Caribbean Inc.** (100%)—marketing in Central America and West Indies  
**Texaco Guatemala Inc.** (100%)—marketing in Guatemala  
**Texaco Maracaibo Inc.** (100%)—exploration, producing in Venezuela  
**Texaco Oil Company** (100%)—exploration and producing services in Latin America  
**Texaco Panama Inc.** (100%)—marketing in Republic of Panama; marine transportation, worldwide  
**Texaco Petroleum Company** (100%)—exploration in Ecuador  
**Texaco Puerto Rico Inc.** (100%)—marketing in Puerto Rico  
**Texaco Seaboard Inc.** (100%)—exploration, producing in Venezuela  
**Texaco, Sociedad Anonima** (100%)—marketing in Mexico  
**Texaco Trinidad, Inc.** (100%)—exploration, producing, refining, petrochemicals in Trinidad and Tobago  
**Texaco (Trinidad) Limited** (100%)—marketing in Trinidad and Tobago  
**Texaco Uruguay Sociedad Anonima** (100%)—marketing in Uruguay  
**Texas Petroleum Company** (100%)—exploration, producing, transportation, refining, marketing in Latin America  
**The Pipelines of Puerto Rico, Inc.** (40%)—pipe line transportation from Guayaniella to San Juan, Puerto Rico  
**Venezuela Gulf Refining Company** (33%)—refining in Venezuela

## **Europe**

**Caltex Deutschland GmbH** (50%)—refining, petrochemicals in West Germany  
**Caltex Oil S.A.E.** (50%)—marketing lubricants in Spain  
**Caltex (Kaltex) Petrol A. S.** (50%)—owns and leases marketing property in Turkey  
**Caltex S.A.F.** (49.8%)—stockholder in French refining and marketing companies  
**De Forenede Kulimportorer Holding Company A/S** (100% voting interest)—marketing in Denmark  
**Deutsche Erdöl A.G. and subsidiaries** (97.7%)—exploration, producing, transportation, refining, petrochemicals, marketing, electric power, coal mining in West Germany  
**Jefferson Chemicals U.K.** (50%)—manufacturing, marketing of chemicals in United Kingdom  
**Norsk Texaco Oil A/S** (100%)—marketing in Norway  
**N.V. Rotterdam-Rijn Pijpleiding Maatschappij** (10%)—pipe line transportation from Europoort, Netherlands, to Raunheim, West Germany  
**Regent Petroleum (Denmark) Inc.** (100%)—exploration in Denmark  
**Rhein-Main Rohrleitungstransportgesellschaft** (5%)—pipe line transportation from Pernis, Netherlands, to Ludwigshafen, West Germany  
**s.a. Texaco Belgium n.v.** (100%)—refining, petrochemicals, marketing in Belgium  
**Société du Pipe-Line Sud-Européen** (4%)—pipe line transportation from Lavéra, France, to Karlsruhe, West Germany  
**Texaco A.G.** (100%)—marketing in Switzerland  
**Texaco Europe Ltd.** (100%)—refining and marketing services in Continental Europe  
**Texaco (Ireland) Limited** (100%)—marketing in Ireland  
**Texaco Greek Petroleum Company S. A.** (100%)—marketing in Greece  
**Texaco Limited and subsidiaries** (100%)—marketing in United Kingdom  
**Texaco Luxembourg S. A.** (100%)—marketing in Luxembourg  
**Texaco North Sea U.K. Company** (100%)—exploration in United Kingdom  
**Texaco Norway A/S** (100%)—marine transportation, worldwide  
**Texaco Oil Aktiebolag** (100%)—marketing in Sweden  
**Texaco Olie Maatschappij N.V.** (100%)—refining, marketing in the Netherlands  
**Texaco Operations (Europe) Ltd. and subsidiaries** (100%)—refining, transportation, marketing in Europe  
**Texaco Overseas Tankship Limited** (100%)—marine transportation, worldwide  
**Texaco Refining Company Limited** (100%)—refining in United Kingdom  
**Texaco S.p.A.** (100%)—marine services, marketing in Italy  
**Texaco (Spain) Inc.** (100%)—exploration and producing in Spain  
**Trans-Alpine Pipeline** (9%)—pipe line transportation from Trieste, Italy, to Ingolstadt and Karlsruhe, West Germany  
**United Kingdom Oil Pipelines, Ltd.** (19.8%)—pipe line transportation from Thames Estuary (near London) and Liverpool to Birmingham, England

## **Middle East, Far East, Africa**

**Arabian American Oil Company** (30%)—exploration, producing, transportation, refining in Saudi Arabia  
**Caltex group of companies** (50%)—exploration, producing, transportation, refining, marketing in Eastern Hemisphere  
**Texaco Iran Ltd.** (100%)—exploration, producing, refining, marketing in Iran  
**Texaco Africa Ltd.** (100%)—marketing in West Africa  
**Texaco Canarias S. A.** (100%)—marketing in Canary Islands  
**Texaco Overseas Petroleum Company** (100%)—exploration, producing, marketing in Eastern Hemisphere  
**Texaco-SMPP** (100%)—marketing in Morocco

## Statements of Consolidated Income and Retained Earnings

For the years ended December 31, 1968 and 1967

|                                                                                | 1968                   | 1967*                  |
|--------------------------------------------------------------------------------|------------------------|------------------------|
| <b>Gross Income:</b>                                                           |                        |                        |
| Sales and services . . . . .                                                   | \$5,459,771,000        | \$5,121,388,000        |
| Dividends, interest, and other income . . . . .                                | 343,517,000            | 277,588,000            |
|                                                                                | <u>\$5,803,288,000</u> | <u>\$5,398,976,000</u> |
| <b>Deductions:</b>                                                             |                        |                        |
| Costs and operating expenses . . . . .                                         | \$3,574,870,000        | \$3,377,563,000        |
| Selling, general and administrative expenses . . . . .                         | 509,429,000            | 469,815,000            |
| Dry hole costs . . . . .                                                       | 27,951,000             | 35,586,000             |
| Depreciation, depletion, and amortization (Note 3) . . . . .                   | 320,657,000            | 300,534,000            |
| Interest charges . . . . .                                                     | 66,651,000             | 47,188,000             |
| Taxes other than income taxes † . . . . .                                      | 182,107,000            | 179,581,000            |
| Provision for income taxes—current . . . . .                                   | 184,400,000            | 138,600,000            |
| —deferred (Note 5) . . . . .                                                   | 95,169,000             | 92,218,000             |
| Minority interest in net income . . . . .                                      | 6,524,000              | 3,505,000              |
|                                                                                | <u>\$4,967,758,000</u> | <u>\$4,644,590,000</u> |
| <b>Net Income</b> . . . . .                                                    | <b>\$ 835,530,000</b>  | <b>\$ 754,386,000</b>  |
| Net income per share (based on average number of shares outstanding) . . . . . | \$6.15                 | \$5.57                 |
| <b>Retained Earnings:</b>                                                      |                        |                        |
| Balance at beginning of year . . . . .                                         | \$2,719,685,000        | \$2,235,239,000        |
| Add:                                                                           |                        |                        |
| Net income for the year . . . . .                                              | 835,530,000            | 754,386,000            |
| Adjustment applicable to the Caltex reorganization . . . . .                   | —                      | 95,659,000             |
| Deduct:                                                                        |                        |                        |
| Cash dividends—\$2.90 per share in 1968 and \$2.70 per share in 1967 . . . . . | 394,033,000            | 365,599,000            |
| Balance at end of year . . . . .                                               | <u>\$3,161,182,000</u> | <u>\$2,719,685,000</u> |

\*Restated to reflect reclassification of deferred income taxes (Note 5).

†In addition, motor fuel and other taxes collected from consumers and paid (or accrued) to governmental agencies in the United States and abroad amounted to \$1,254,341,000 during 1968 and \$1,090,083,000 during 1967.

See accompanying notes to consolidated financial statements.



## Consolidated Balance Sheet

As of December 31, 1968 and 1967

| Assets                                                                                                                                                                | 1968            | 1967*           |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| <b>Current Assets:</b>                                                                                                                                                |                 |                 |
| Cash . . . . .                                                                                                                                                        | \$ 185,427,000  | \$ 215,292,000  |
| U. S. Government and cash investments—at cost . . . . .                                                                                                               | 220,867,000     | 216,850,000     |
| Accounts and notes receivable, less allowance for doubtful accounts of \$24,000,000 in 1968<br>and \$16,000,000 in 1967 . . . . .                                     | 1,309,344,000   | 1,225,233,000   |
| Inventories—                                                                                                                                                          |                 |                 |
| Crude oil, petroleum products, and other merchandise—at cost, determined on the first-in,<br>first-out method, which in the aggregate was lower than market . . . . . | 552,077,000     | 500,804,000     |
| Materials and supplies—at cost . . . . .                                                                                                                              | 53,754,000      | 53,211,000      |
| Total current assets . . . . .                                                                                                                                        | \$2,321,469,000 | \$2,211,390,000 |
| <hr/>                                                                                                                                                                 |                 |                 |
| Investments and Advances (Note 2) . . . . .                                                                                                                           | \$ 402,756,000  | \$ 330,468,000  |
| <hr/>                                                                                                                                                                 |                 |                 |
| <b>Properties, Plant, and Equipment—at Cost:</b>                                                                                                                      |                 |                 |
| Producing . . . . .                                                                                                                                                   | \$5,506,195,000 | \$4,983,080,000 |
| Manufacturing . . . . .                                                                                                                                               | 1,782,211,000   | 1,673,625,000   |
| Marketing . . . . .                                                                                                                                                   | 1,394,870,000   | 1,317,386,000   |
| Marine . . . . .                                                                                                                                                      | 385,178,000     | 366,977,000     |
| Pipe lines . . . . .                                                                                                                                                  | 303,708,000     | 263,167,000     |
| Other . . . . .                                                                                                                                                       | 85,263,000      | 84,487,000      |
|                                                                                                                                                                       | \$9,457,425,000 | \$8,688,722,000 |
| Less—Depreciation, depletion, and amortization (Note 3) . . . . .                                                                                                     | 3,506,347,000   | 3,364,831,000   |
| Net properties, plant, and equipment . . . . .                                                                                                                        | \$5,951,078,000 | \$5,323,891,000 |
| <hr/>                                                                                                                                                                 |                 |                 |
| Deferred Charges . . . . .                                                                                                                                            | \$ 11,651,000   | \$ 6,355,000    |
| Total . . . . .                                                                                                                                                       | \$8,686,954,000 | \$7,872,104,000 |

\*Restated to reflect reclassification of deferred income taxes (Note 5).

**Liabilities and Stockholders' Equity**

|                                                                                                     | 1968                   | 1967*                  |
|-----------------------------------------------------------------------------------------------------|------------------------|------------------------|
| <b>Current Liabilities:</b>                                                                         |                        |                        |
| Notes payable and long-term debt due within one year . . . . .                                      | \$ 324,100,000         | \$ 246,286,000         |
| Accounts payable and accrued liabilities . . . . .                                                  | 715,762,000            | 711,931,000            |
| Estimated income taxes . . . . .                                                                    | 198,631,000            | 169,808,000            |
| Total current liabilities . . . . .                                                                 | <u>\$1,238,493,000</u> | <u>\$1,128,025,000</u> |
| <b>Long-Term Debt</b> (Note 4) . . . . .                                                            | \$1,095,360,000        | \$ 938,675,000         |
| <b>Deferred Credits—Income Taxes</b> (Note 5) . . . . .                                             | \$ 780,708,000         | \$ 685,539,000         |
| <b>Reserves</b> (Note 6) . . . . .                                                                  | \$ 90,708,000          | \$ 113,290,000         |
| <b>Minority Interest in Subsidiary Companies</b> . . . . .                                          | \$ 63,656,000          | \$ 59,958,000          |
| <b>Stockholders' Equity</b> (Notes 4, 6, and 7):                                                    |                        |                        |
| Capital stock—par value \$12.50:                                                                    |                        |                        |
| Shares authorized—150,000,000                                                                       |                        |                        |
| Shares issued—137,142,523 in 1968 and 137,133,485 in 1967, including treasury stock . . . . .       | \$1,714,281,000        | \$1,714,169,000        |
| Paid-in capital in excess of par value (Note 8) . . . . .                                           | 596,763,000            | 593,397,000            |
| Retained earnings . . . . .                                                                         | 3,161,182,000          | 2,719,685,000          |
|                                                                                                     | <u>\$5,472,226,000</u> | <u>\$5,027,251,000</u> |
| Less—Capital stock held in treasury—922,593 shares in 1968 and 1,730,272 in 1967, at cost . . . . . | 54,197,000             | 80,634,000             |
| Total stockholders' equity . . . . .                                                                | <u>\$5,418,029,000</u> | <u>\$4,946,617,000</u> |
| <b>Total</b> . . . . .                                                                              | <u>\$8,686,954,000</u> | <u>\$7,872,104,000</u> |

See accompanying notes to consolidated financial statements.



## Statement of Consolidated Source and Disposition of Funds

For the years ended December 31, 1968 and 1967

|                                                                           | 1968                   | 1967*                  |
|---------------------------------------------------------------------------|------------------------|------------------------|
| <b>Source:</b>                                                            |                        |                        |
| Net income . . . . .                                                      | \$ 835,530,000         | \$ 754,386,000         |
| Depreciation, depletion, and amortization (Note 3) . . . . .              | 320,657,000            | 300,534,000            |
| Provision for income taxes—deferred (Note 5) . . . . .                    | 95,169,000             | 92,218,000             |
| Long-term debt (Note 4):                                                  |                        |                        |
| Texaco Inc. sale of 5¾ % Debentures . . . . .                             | —                      | 200,000,000            |
| Texaco Operations (Europe) Ltd. sale of 4½ % Debentures . . . . .         | 75,000,000             | —                      |
| Texaco A.G. sale of 5¾ % Bonds . . . . .                                  | 9 259,000              | —                      |
| s.a. Texaco Belgium n.v. sale of 7 % Notes . . . . .                      | 90,671,000             | —                      |
| Debentures issued to acquire capital stock of Deutsche Erdöl A.G. . . . . | —                      | 11,353,000             |
| Net decrease in other long-term debt . . . . .                            | (18,245,000)           | (26,117,000)           |
| Minority interest in net income . . . . .                                 | 6,524,000              | 3,505,000              |
| Other (net) . . . . .                                                     | 13,265,000             | 31,431,000             |
|                                                                           | <u>\$1,427,830,000</u> | <u>\$1,367,310,000</u> |
| <b>Disposition:</b>                                                       |                        |                        |
| Capital expenditures . . . . .                                            | \$1,023,803,000        | \$ 845,435,000         |
| Purchase of treasury stock . . . . .                                      | 7,532,000              | 3,570,000              |
| Acquisition of capital stock of Deutsche Erdöl A.G. . . . .               | —                      | 11,353,000             |
| Cash dividends paid to:                                                   |                        |                        |
| The Company's stockholders . . . . .                                      | 394,033,000            | 365,599,000            |
| Minority stockholders of subsidiary companies . . . . .                   | 2,851,000              | 2,196,000              |
|                                                                           | <u>\$1,428,219,000</u> | <u>\$1,228,153,000</u> |
| Added to or (withdrawn from) working capital . . . . .                    | \$ (389,000)           | \$ 139,157,000         |
| <b>Working capital:</b>                                                   |                        |                        |
| At beginning of year . . . . .                                            | 1,083,365,000          | 944,208,000            |
| At end of year . . . . .                                                  | <u>\$1,082,976,000</u> | <u>\$1,083,365,000</u> |

\* Restated to reflect reclassification of deferred income taxes (Note 5).

See accompanying notes to consolidated financial statements.

## Notes to Consolidated Financial Statements

### Note 1. Principles of Consolidation

The accounts of Texaco Inc. and subsidiary companies owned more than 50% are included in the consolidated financial statements, except for subsidiary companies operating in Brazil. Intercompany balance sheet accounts, sales, and profits are eliminated. Items recorded in foreign currencies are expressed in U.S. dollars at the appropriate rates of exchange, and gains and losses arising as a result of foreign currency conversions are reflected in income.

### Note 2. Investments and Advances—at Cost

|                                                                                        | December 31, 1968    | 1967                 |
|----------------------------------------------------------------------------------------|----------------------|----------------------|
| Nonsubsidiary companies (owned 50% or less) and subsidiary companies not consolidated: |                      |                      |
| Western Hemisphere . . . . .                                                           | \$ 53,910,000        | \$ 54,775,000        |
| Eastern Hemisphere . . . . .                                                           | 274,575,000          | 205,217,000          |
|                                                                                        | <u>\$328,485,000</u> | <u>\$259,992,000</u> |
| Less reserve . . . . .                                                                 | 26,800,000           | 26,800,000           |
|                                                                                        | <u>\$301,685,000</u> | <u>\$233,192,000</u> |
| Miscellaneous investments, long-term receivables, etc., less reserve . . . . .         | \$101,071,000        | \$ 97,276,000        |
| Total investments and advances . . . . .                                               | <u>\$402,756,000</u> | <u>\$330,468,000</u> |

The Company's equity in the estimated net earnings of nonsubsidiary companies and subsidiary companies not consolidated exceeded dividends received from such companies in 1968 and 1967 by approximately \$2,000,000 and \$7,000,000 respectively. Texaco's equity in the underlying net assets of nonsubsidiary companies and subsidiary companies not consolidated exceeded the carrying value of the investment in such companies by approximately \$216,000,000 as of December 31, 1968.

Separate financial statements for certain 50%-owned nonsubsidiary companies are included in reports filed with the Securities and Exchange Commission.

### Note 3. Depreciation, Depletion, and Amortization

Depreciation, depletion, and amortization with respect to properties, plant, and equipment related to producing activities are determined on the unit-of-production basis by applying the ratio of produced oil and gas to recoverable oil and gas reserves as periodically estimated by the Company's engineers. For other operations, in general depreciation is provided on the group plan with depreciation rates based upon estimated useful life applied to the cost of each class of property.

### Note 4. Long-Term Debt

|                                                                                | December 31, 1968 | 1967          |
|--------------------------------------------------------------------------------|-------------------|---------------|
| Texaco Inc.:                                                                   |                   |               |
| 2¾% Debentures, due June 1, 1971 . . . . .                                     | \$ 57,600,000     | \$ 59,200,000 |
| 3¾% Debentures, due May 1, 1983 . . . . .                                      | 150,000,000       | 150,000,000   |
| 4½% Notes, due December 15, 1989 . . . . .                                     | 146,250,000       | 150,000,000   |
| 5¼% Debentures, due July 15, 1997 . . . . .                                    | 200,000,000       | 200,000,000   |
| The Texas Pipe Line Company:                                                   |                   |               |
| 2.9% and 3.4% Notes due in annual installments through 1974 and 1981 . . . . . | 18,163,000        | 20,625,000    |

|                                                                                    |                        |                      |
|------------------------------------------------------------------------------------|------------------------|----------------------|
| Texaco Canada Limited and subsidiaries:                                            |                        |                      |
| 3%, 3¼%, and 4¾% First mortgage sinking fund bonds due 1971 through 1981 . . . . . | 3,748,000              | 4,810,000            |
| 4¼% Sinking fund debentures, due October 1, 1975 . . . . .                         | 3,400,000              | 3,800,000            |
| Texaco Operations (Europe) Ltd.:                                                   |                        |                      |
| 4½% Convertible guaranteed debentures, due July 1, 1988 . . . . .                  | 75,000,000             | —                    |
| Texaco A.G.:                                                                       |                        |                      |
| 5¼% Bonds, due July 15, 1983 . . . . .                                             | 9,259,000              | —                    |
| s.a. Texaco Belgium n.v.:                                                          |                        |                      |
| 7% Notes, due September 29, 1983 . . . . .                                         | 90,671,000             | —                    |
| Deutsche Texaco Ltd.:                                                              |                        |                      |
| 5% Convertible debentures, due May 1, 1986 . . . . .                               | 190,109,000            | 190,879,000          |
| Deutsche Erdöl A.G. and subsidiaries:                                              |                        |                      |
| Secured notes at interest rates from 4% to 7½% due through 2008 . . . . .          | 28,845,000             | 31,728,000           |
| 6% and 6½% Mortgage bonds due in annual installments to 1984 and 1978 . . . . .    | 24,500,000             | 25,250,000           |
| Unsecured notes at interest rates from 6¼% to 7½% due through 1979 . . . . .       | 12,786,000             | 12,792,000           |
| Other . . . . .                                                                    | 32,945,000             | 30,159,000           |
| Purchase and other obligations . . . . .                                           | 52,084,000             | 59,432,000           |
| Total long-term debt . . . . .                                                     | <u>\$1,095,360,000</u> | <u>\$938,675,000</u> |

The Deutsche Texaco Ltd. 5% convertible debentures are guaranteed by Texaco Inc. and are convertible into Texaco Inc. capital stock at \$85 a share. Deutsche Texaco Ltd. has issued \$190,980,000 of debentures of which \$871,000 have been converted and were held in the treasury of Texaco Inc. at December 31, 1968. Texaco Inc. capital stock reserved for additional conversions at December 31, 1968, amounted to 2,236,598 shares.

The Texaco Operations (Europe) Ltd. 4½% convertible guaranteed debentures are guaranteed by Texaco Inc. and are convertible from April 15, 1969, into Texaco Inc. capital stock at \$88.50 a share. Texaco Inc. capital stock reserved for such conversions at December 31, 1968, amounted to 847,457 shares.

### Note 5. Deferred Credits—Income Taxes

Provision is made in the Company's financial statements for the deferred income tax effect related to gross income, costs, and expenses recorded in the Company's financial statements in a period different from the period in which these transactions are reported for income tax purposes. These income tax effects relate primarily to depreciation, intangible development costs, exploratory expenditures, and employee plans.

The deferred credits for income taxes shown in the balance sheet represent the cumulative effect of net charges made against earnings to defer these income tax effects to appropriate future periods in the Company's financial statements. This accounting policy allocates the income tax effect of transactions to the period in which such transactions are recorded for financial reporting purposes.

In 1967 and prior years, such deferrals were reflected in the financial statements principally as additional depreciation and amortization. In accordance with an opinion of the American Institute of Certified Public Accountants, effective with financial statements for the year 1968 these deferrals have been classified in the financial statements as deferred credits, with the appropriate 1967 accounts reclassified for comparative purposes. The reclassification had no effect on net income for 1968 or prior years.

#### Note 6. Reserves

|                                    | December 31, 1968 | 1967          |
|------------------------------------|-------------------|---------------|
| Employee plans . . . . .           | \$63,841,000      | \$ 86,010,000 |
| Mining and damage claims . . . . . | 26,867,000        | 27,280,000    |
| Total reserves . . . . .           | \$90,708,000      | \$113,290,000 |

The Company and its subsidiaries have pension plans available to substantially all of their employees. The expense for these plans amounted to \$34,241,000 in 1968 and \$24,217,000 in 1967, which amounts are based on amortizing the actuarial cost of pension benefits over the estimated service lives of the employees involved. In general, provision is made for funding of pension costs by deposits with insurance companies and corporate trustees.

Subject to ratification by the stockholders, the Incentive Compensation Plan was amended in 1968 to permit current issuance of restricted shares of the Company's stock in lieu of delivery of unrestricted shares to participants upon retirement. Accordingly, the reserve was reduced to reflect the delivery of 818,038 shares of treasury stock to an escrowee for subsequent distribution.

The reserve for mining and damage claims represents provision by Deutsche Erdöl A.G. and subsidiaries for estimated damages from mining, drilling, and producing operations.

#### Note 7. Incentive Stock Option Plan

The Incentive Stock Option Plan was adopted in 1959 and expired in 1964. Options granted to executive and key employees are exercisable until ten years from the date granted. The option price is the fair market value of the stock on the date granted.

Options covering 24,032 shares were exercised during 1968. At the end of the year, options were outstanding for 70,604 shares at an average price of \$56.29 per share.

#### Note 8. Paid-in Capital in Excess of Par Value

Paid-in capital in excess of par value increased \$3,366,000 during 1968, of which \$2,793,000 was attributable to the issuance of capital stock under the provisions of employee plans and \$573,000 related to the conversion of debentures of a subsidiary into Texaco Inc. capital stock.

#### Note 9. Commitments and Contingent Liabilities

As of December 31, 1968, Texaco and subsidiary companies had long-term leases, expiring more than three years from such date, covering service stations, tankers, office buildings, and other facilities. Minimum amounts payable under such commitments, without reduction for related rental income, are expected to average approximately \$134,000,000 annually for the next three years. Rental income from certain of these properties subleased to others is estimated to average \$43,000,000 annually for the next three years.

Texaco and subsidiary companies were contingently liable in the amount of \$98,000,000 as guarantor on loans outstanding, principally of certain associated companies. Also, under long-term agreements with certain pipe line companies in which stock interests are held, Texaco and subsidiary companies guarantee specified revenue from product shipments and, in the event such companies are unable to meet debt obligations, funds may be advanced against future transportation charges. No loss is anticipated by reason of such obligations.

In the opinion of the Company's General Counsel, while it is impossible to ascertain the ultimate legal and financial liability with respect to other contingent liabilities, including lawsuits, Federal taxes, claims, guarantees, etc., the aggregate amount of such liability is not materially important in relation to the consolidated financial position of the Company and its subsidiaries.

## Auditors' Report

### ARTHUR ANDERSEN & CO. NEW YORK, N. Y.

To the Stockholders, Texaco Inc.:

We have examined the consolidated balance sheet of Texaco Inc. (a Delaware Corporation) and subsidiary companies as of December 31, 1968 and 1967, and the related statements of consolidated income, retained earnings and source and disposition of funds for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of Texaco Inc. and subsidiary companies as of December 31, 1968 and 1967, and the results of their operations and the source and disposition of funds for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

March 3, 1969.

*Arthur Andersen & Co.*



## Buy the best —buy Texaco

Texaco is the only marketer of petroleum products that has substantial and widespread retail distribution under a single trademark in all 50 states. The full line of Texaco products reflects the Company's intensive research efforts, advanced manufacturing technology, and rigid quality control. Petroleum products also are sold through Texaco companies in the Western Hemisphere, Western Europe, and West Africa, and through affiliated companies elsewhere in Africa, the Middle East, the Far East, and Australasia. Today Texaco markets more than 800 top-quality products, including:

### Petroleum Products

#### *Automotive:*

Sky Chief gasoline  
Fire Chief gasoline  
Havoline motor oils  
Texaco motor oils  
Texaco anti-freezes  
Marfak lubricants  
Gear lubricants  
Texamatic transmission fluids

#### *Aviation:*

Aviation gasolines  
Jet fuels  
Aircraft engine oils  
Synthetic aircraft turbine oils  
Aircraft hydraulic oils  
Aircraft greases

#### *Marine:*

Sea Chief gasoline  
Marine diesel fuels  
Marine intermediate fuels  
Marine bunker fuel  
Outboard motor oil  
Marine diesel lubricants  
Marine turbine oils  
Marine steam-engine lubricants  
Floatcoat rust proofing

#### *Fuel Oils:*

Fuel Chief home heating oils  
Kerosine  
Diesel Chief fuels  
Tractor fuels  
Industrial fuel oils

#### *Asphalts:*

Paving asphalts  
Road oils  
Surfacing materials  
Roofing asphalts

#### *Miscellaneous:*

Rust proof compounds  
Petroleum coke  
Waxes  
Spraytex fruit sprays  
Texspray cotton conditioner

### *Industrial:*

Anti-friction bearing greases  
Compressor oils  
Construction and mining equipment lubricants  
Diesel engine lubricants  
Farm machinery lubricants  
Forest and paper pulp industry lubricants  
Gas engine lubricants  
Hydraulic oils  
Industrial gear lubricants  
Industrial greases  
Insulating oils  
Metalworking lubricants and coolants  
Preservative oils  
Railway lubricants  
Refrigeration oils  
Rubber processing oils  
Steel mill lubricants  
Textile mill lubricants  
Turbine oils

### Gases and By-Products

Natural gas  
Ethane  
Propane  
Isobutane  
Normal butane  
Natural gasoline  
Sulphur

### Petrochemicals

Benzene  
Toluene  
Xylenes  
Cumene  
Cyclohexane  
Ethylene  
Propylene  
Normal paraffins  
Detergent alkylate  
Nonene  
Propylene tetramer  
Diisobutylene  
Naphthenic acids  
Isopropyl alcohol  
Acetone  
Ketones  
Alkyd and phenolic resins  
Chemical feedstocks  
Lubricating oil, grease, and fuel additives  
Rust inhibitors  
Ammonia and derivatives  
Nitrogen fertilizer solutions  
Solid fertilizers

### Specialty Products

#### *Quality Line:*

Batteries  
Oil, air, and gasoline filters  
Spark plugs and ignition parts  
Automotive belts, radiator hose, heater hose, and clamps  
Automotive headlamps, bulbs, and flashers  
Windshield wiper blades and arms  
Radiator, gasoline tank, and oil filler caps  
Thermostats  
Upper cylinder lubricant  
Super motor detergent  
Fuel system conditioner and de-icer  
All-temp windshield washer  
Windshield de-icer  
Carburetor cleaner  
Brake fluid  
Transmission stop-leak and seal conditioner  
Tire mounting lubricant  
Radiator stop leak  
Heavy duty radiator cleaner  
Radiator fast flush  
Radiator anti-rust and water pump lubricant  
Super car cleaner and wax  
Car cleaner and polish  
Chrome and metal polish  
Plastic and leather cleaner  
Vinyl hardtop dressing  
Car wash concentrate  
Glass cleaner concentrate  
Spray-on white tire cleaner  
Black tire dressing  
Home lubricant  
Penetrating oil  
Rust proof (aerosol)  
Lighter fluid  
Charcoal lighter fluid  
Insecticide  
Rubber repair kit  
Green Chief lawn food

### Oil Burner Equipment

#### *Fuel Chief Lines:*

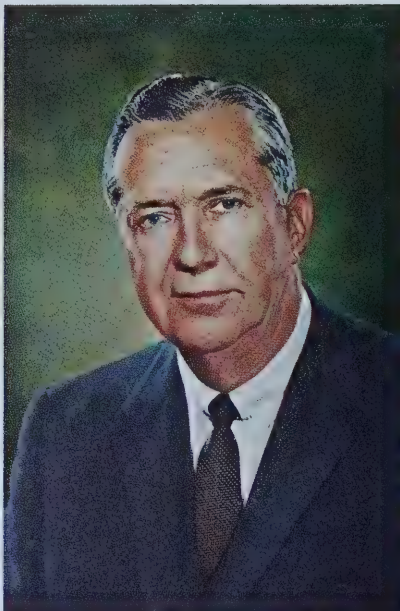
Oil burners  
Hot water heaters  
Hot water boilers  
Warm air furnaces  
Air conditioners and humidifiers

Jack Benny is photographed during filming of a Texaco commercial. This advertising campaign has been most effective in promoting the sale of the new Sky Chief gasoline.





J. Howard Ramin, Jr.,  
Chairman of the Board and  
Chief Executive Officer.



Marion J. Epley, Jr.,  
President.



(Left to right) Executive Vice Presidents  
Archie W. Baucum, John W. Green, and James H. Pipkin.

## Officers of Texaco Inc.

The organization of Texaco Inc. is highly centralized with respect to the formation of policy and budget, but is decentralized in the implementation of established policies and budgeted programs. The responsibility for performance is delegated to each department of Texaco Inc. in the United States and to each Texaco company in other countries. The executive officers of Texaco Inc., whose photographs and responsibilities appear on these pages, average 56 years in age and 29 years in service with the Company.



(Left to right) Vice Presidents Charles H. Dodson, based  
in Chicago, and Wallace E. Avery, based in Los Angeles.



Harold C. Hose, Vice President,  
Special Assignments.



Eddins W. McNealy, Vice President,  
Refining—Europe/Latin America/West Africa,  
and William G. Copeland, Vice President,  
Refining—United States.



Amzy B. Steed,  
Vice President and  
General Counsel.



James W. Kinnear, Vice President, Supply and Distribution;  
Maurice F. Granville, Vice President and Assistant to the Chairman, and  
John I. Mingay, Vice President, Marine.



Homer O. Woodruff, Vice President, Producing—  
United States (East), based in Houston, and  
Otis B. Hocker, Vice President, Producing—  
United States (West), based in Denver.



(Left to right) William J. Clayton, Secretary;  
Wilford R. Young, General Tax Counsel, and  
William R. Love, Comptroller.



W. Henry Ryer, Vice President,  
Sales—Latin America/West Africa.



Annon M. Card, Vice President, Sales—  
United States, and Ben Halsell, Vice President,  
Special Assignments.



Laurie W. Folmar, Vice President,  
Producing—Eastern Hemisphere, and  
Richard B. Palmer, Vice President,  
Producing—Latin America.



William J. Coppoc, Vice President, Research and  
Technical; John K. McKinley, Vice President,  
Petrochemicals, and Lebbeus C. Kemp, Jr.,  
Vice President, based in Houston.



Stanley T. Crossland, Vice President, Finance  
and Economics; Kerry King, Vice President,  
Employee and Public Relations, and  
Edward W. Wolahan, Treasurer.



## Ten-Year Financial Summary

Dollar amounts in millions, except where noted

| Year | Gross Income | Net Income |                     |                            | Dividends  |                     |       | Capital and Exploratory Expenditures | Payments to Governments    |                                |                                |                                |
|------|--------------|------------|---------------------|----------------------------|------------|---------------------|-------|--------------------------------------|----------------------------|--------------------------------|--------------------------------|--------------------------------|
|      |              | Total      | Per Share (dollars) | Per Dollar of Gross Income | Total Cash | Per Share (dollars) | Stock |                                      | Income and Operating Taxes | Import Duties and Other Levies | Taxes Collected from Consumers | Total Taxes and Other Payments |
| 1968 | \$5,803.3    | \$835.5    | \$6.15              | 14.4¢                      | \$394.0    | \$2.90              | —     | \$1,062.8                            | \$366.5                    | \$393.1                        | \$1,254.3                      | \$2,013.9                      |
| 1967 | 5,399.0      | 754.4      | 5.57                | 14.0                       | 365.6      | 2.70                | —     | 891.9                                | 318.2                      | 383.4                          | 1,090.1                        | 1,791.7                        |
| 1966 | 4,700.2      | 709.9*     | 5.25*               | 15.1                       | 337.6      | 2.50                | —     | 736.7                                | 276.6                      | 342.4                          | 794.2                          | 1,413.2                        |
| 1965 | 4,008.1      | 636.7      | 4.71                | 15.9                       | 331.3      | 2.45                | —     | 718.7                                | 207.3                      | 292.4                          | 707.5                          | 1,207.2                        |
| 1964 | 3,782.1      | 577.4      | 4.27                | 15.3                       | 296.4      | 2.19                | 5%    | 604.7                                | 197.4                      | 255.7                          | 644.3                          | 1,097.4                        |
| 1963 | 3,640.1      | 547.6      | 4.04                | 15.0                       | 267.6      | 2.00                | —     | 625.1                                | 175.6                      | 234.7                          | 610.2                          | 1,020.5                        |
| 1962 | 3,464.7      | 481.7      | 3.60                | 13.9                       | 234.1      | 1.76                | —     | 541.9                                | 164.0                      | 223.5                          | 578.6                          | 966.1                          |
| 1961 | 3,274.2      | 433.6      | 3.25                | 13.2                       | 191.5      | 1.48                | —     | 524.5                                | 162.3                      | 209.9                          | 550.9                          | 923.1                          |
| 1960 | 3,140.8      | 391.8      | 3.02                | 12.5                       | 172.5      | 1.33                | 2%    | 521.1                                | 147.4                      | 189.9                          | 539.8                          | 877.1                          |
| 1959 | 2,830.8      | 354.3      | 2.73                | 12.5                       | 153.2      | 1.19                | 2%    | 517.9                                | 141.9                      | 45.5                           | 485.2                          | 672.6                          |

### Financial Condition at Year-End

| Year | Current Assets | Current Liabilities | Working Capital | Current Ratio | Total Assets† | Long-Term Debt | Stockholders' Equity |                                 | Stockholders                                     |                    | Employees          |                       |
|------|----------------|---------------------|-----------------|---------------|---------------|----------------|----------------------|---------------------------------|--------------------------------------------------|--------------------|--------------------|-----------------------|
|      |                |                     |                 |               |               |                | Net Book Value       | Per Share at Year-End (dollars) | Average Number of Shares Outstanding (thousands) | Number at Year-End | Number at Year-End | Payrolls and Benefits |
| 1968 | \$2,321.5      | \$1,238.5           | \$1,083.0       | 1.87          | \$8,687.0     | \$1,095.4      | \$5,418.0            | \$39.77                         | 135,820                                          | 212,082            | 78,475             | \$609.4               |
| 1967 | 2,211.4        | 1,128.0             | 1,083.4         | 1.96          | 7,872.1       | 938.7          | 4,946.6              | 36.53                           | 135,403                                          | 213,195            | 79,773             | 572.3                 |
| 1966 | 1,968.9        | 1,024.7             | 944.2           | 1.92          | 6,977.3       | 739.7          | 4,463.6              | 32.97                           | 135,158                                          | 215,283            | 79,346             | 497.8                 |
| 1965 | 1,568.6        | 699.0               | 869.6           | 2.24          | 5,865.7       | 442.8          | 4,097.7              | 30.33                           | 135,200                                          | 207,905            | 56,960             | 427.3                 |
| 1964 | 1,527.6        | 613.8               | 913.8           | 2.49          | 5,403.5       | 440.2          | 3,810.7              | 28.17                           | 135,318                                          | 189,882            | 56,045             | 407.5                 |
| 1963 | 1,339.6        | 558.3               | 781.3           | 2.40          | 4,909.2       | 325.3          | 3,548.3              | 26.19                           | 135,505                                          | 177,412            | 55,366             | 402.4                 |
| 1962 | 1,337.0        | 505.7               | 831.3           | 2.64          | 4,508.4       | 318.9          | 3,251.6              | 24.31                           | 133,827                                          | 172,061            | 55,029             | 377.2                 |
| 1961 | 1,280.9        | 516.9               | 764.0           | 2.48          | 4,253.9       | 335.6          | 3,011.5              | 22.50                           | 133,494                                          | 165,571            | 56,494             | 374.1                 |
| 1960 | 1,173.2        | 491.4               | 681.8           | 2.39          | 3,915.0       | 335.9          | 2,736.7              | 21.10                           | 129,726                                          | 145,425            | 56,658             | 357.0                 |
| 1959 | 1,058.1        | 405.7               | 652.4           | 2.61          | 3,572.3       | 341.8          | 2,517.8              | 19.42                           | 129,723                                          | 143,344            | 53,510             | 341.5                 |

\*Net income includes a non-recurring profit of \$17,800,000 or \$1.13 per share, after applicable income taxes. Excluding the non-recurring profit, net income for the year 1966 amounted to \$692,066,000 or \$5.12 a share.

†Restated to reflect reclassification of deferred income taxes (Note 5 to consolidated financial statements).

## Ten-Year Operations Summary

*In thousands of barrels a day, except where noted*

### Worldwide—including equity in affiliates

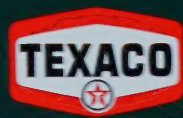
| Year | Gross Production of<br>Crude Oil and<br>Natural Gas Liquids* |                            |                         | Net Production of<br>Crude Oil and<br>Natural Gas Liquids* |                            |                         | Refinery Runs              |                            |                         | Petroleum Product Sales    |                            |                         | Natural<br>Gas Sales<br>(millions<br>of cubic<br>feet a day) |
|------|--------------------------------------------------------------|----------------------------|-------------------------|------------------------------------------------------------|----------------------------|-------------------------|----------------------------|----------------------------|-------------------------|----------------------------|----------------------------|-------------------------|--------------------------------------------------------------|
|      | Western<br>Hemi-<br>sphere                                   | Eastern<br>Hemi-<br>sphere | Total<br>World-<br>wide | Western<br>Hemi-<br>sphere                                 | Eastern<br>Hemi-<br>sphere | Total<br>World-<br>wide | Western<br>Hemi-<br>sphere | Eastern<br>Hemi-<br>sphere | Total<br>World-<br>wide | Western<br>Hemi-<br>sphere | Eastern<br>Hemi-<br>sphere | Total<br>World-<br>wide |                                                              |
| 1968 | 1,283                                                        | 1,513                      | 2,796                   | 1,096                                                      | 1,475                      | 2,571                   | 1,459                      | 918                        | 2,377                   | 1,516                      | 1,063                      | 2,579                   | 3,262                                                        |
| 1967 | 1,281                                                        | 1,301                      | 2,582                   | 1,094                                                      | 1,273                      | 2,367                   | 1,380                      | 775                        | 2,155                   | 1,391                      | 978                        | 2,369                   | 2,887                                                        |
| 1966 | 1,178                                                        | 1,072                      | 2,250                   | 1,006                                                      | 1,051                      | 2,057                   | 1,325                      | 647                        | 1,972                   | 1,310                      | 789                        | 2,099                   | 2,560                                                        |
| 1965 | 1,094                                                        | 933                        | 2,027                   | 934                                                        | 919                        | 1,853                   | 1,256                      | 558                        | 1,814                   | 1,225                      | 672                        | 1,897                   | 2,074                                                        |
| 1964 | 1,038                                                        | 793                        | 1,831                   | 886                                                        | 781                        | 1,667                   | 1,213                      | 461                        | 1,674                   | 1,167                      | 593                        | 1,760                   | 1,998                                                        |
| 1963 | 989                                                          | 760                        | 1,749                   | 845                                                        | 750                        | 1,595                   | 1,164                      | 399                        | 1,563                   | 1,111                      | 558                        | 1,669                   | 1,863                                                        |
| 1962 | 905                                                          | 727                        | 1,632                   | 775                                                        | 718                        | 1,493                   | 1,090                      | 377                        | 1,467                   | 1,054                      | 503                        | 1,557                   | 1,705                                                        |
| 1961 | 842                                                          | 663                        | 1,505                   | 726                                                        | 654                        | 1,380                   | 1,053                      | 346                        | 1,399                   | 1,021                      | 450                        | 1,471                   | 1,578                                                        |
| 1960 | 790                                                          | 596                        | 1,386                   | 680                                                        | 589                        | 1,269                   | 1,006                      | 321                        | 1,327                   | 983                        | 385                        | 1,368                   | 1,440                                                        |
| 1959 | 767                                                          | 482                        | 1,249                   | 662                                                        | 476                        | 1,138                   | 942                        | 289                        | 1,231                   | 983                        | 346                        | 1,329                   | 1,325                                                        |

### Texaco Inc. and Subsidiary Companies

*In thousands of barrels a day*

| Year | Production of<br>Crude Oil and<br>Natural Gas<br>Liquids |       | Crude<br>Oil Pur-<br>chased,<br>Less<br>Sales | Refinery<br>Runs | Refinery<br>Crude<br>Oil<br>Capacity | Petro-<br>leum<br>Product<br>Sales | Pipe Line<br>Deliveries | Cargo<br>Carried<br>by<br>Marine<br>Fleet | Number of<br>Wells Drilled |       | Length<br>of<br>Pipe<br>Lines<br>(miles) | Tonnage<br>of Ocean<br>Tankers,<br>Owned<br>and Term<br>Chartered |
|------|----------------------------------------------------------|-------|-----------------------------------------------|------------------|--------------------------------------|------------------------------------|-------------------------|-------------------------------------------|----------------------------|-------|------------------------------------------|-------------------------------------------------------------------|
|      | Gross                                                    | Net   |                                               |                  |                                      |                                    |                         |                                           | Gross                      | Net   |                                          |                                                                   |
| 1968 | 1,593                                                    | 1,371 | 646                                           | 1,671            | 1,743                                | 2,137                              | 1,846                   | 2,329                                     | 1,445                      | 876   | 6,955                                    | 7,173,223                                                         |
| 1967 | 1,516                                                    | 1,302 | 481                                           | 1,504            | 1,631                                | 1,929                              | 1,795                   | 1,939                                     | 1,691                      | 1,086 | 6,867                                    | 5,955,572                                                         |
| 1966 | 1,336                                                    | 1,145 | 400                                           | 1,399            | 1,456                                | 1,686                              | 1,585                   | 1,609                                     | 2,054                      | 1,521 | 6,767                                    | 3,430,461                                                         |
| 1965 | 1,188                                                    | 1,016 | 378                                           | 1,291            | 1,363                                | 1,503                              | 1,449                   | 1,456                                     | 2,064                      | 1,570 | 6,668                                    | 3,196,786                                                         |
| 1964 | 1,104                                                    | 944   | 340                                           | 1,179            | 1,331                                | 1,409                              | 1,335                   | 1,254                                     | 2,077                      | 1,593 | 6,776                                    | 2,853,301                                                         |
| 1963 | 1,041                                                    | 891   | 327                                           | 1,115            | 1,198                                | 1,340                              | 1,258                   | 1,199                                     | 2,149                      | 1,765 | 6,740                                    | 2,600,580                                                         |
| 1962 | 946                                                      | 811   | 326                                           | 1,045            | 1,103                                | 1,254                              | 1,171                   | 1,079                                     | 2,176                      | 1,741 | 6,941                                    | 2,378,737                                                         |
| 1961 | 875                                                      | 755   | 339                                           | 1,009            | 1,084                                | 1,201                              | 1,089                   | 1,011                                     | 2,324                      | 1,783 | 6,929                                    | 2,421,053                                                         |
| 1960 | 821                                                      | 708   | 338                                           | 964              | 1,083                                | 1,140                              | 1,067                   | 975                                       | 2,033                      | 1,616 | 6,928                                    | 2,186,275                                                         |
| 1959 | 784                                                      | 677   | 302                                           | 917              | 1,001                                | 1,092                              | 1,063                   | 939                                       | 2,044                      | 1,600 | 6,922                                    | 1,921,555                                                         |

\*Includes the Company's liftings in Saudi Arabia and Indonesia and equity in other nonsubsidiary companies.



*Buy the best—buy Texaco*